FCA FINANCIAL CONDUCT AUTHORITY

Annual Return (AR30) form

Section 1 – About this form

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965) or the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1969). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuals Public Register https://mutuals.fca.org.uk.

For guidance on our registration function for societies under the Co-operative and Community Benefit Societies Act 2014, which includes guidance on the requirement to submit an Annual Return, please see here: https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf

Section 2 – About this application

Society name	Funeral Services Limited
Register number	30808R
Registered address	1 Angel Square, Manchester
Postcode	M60 0AG

2.1 What date did the financial year covered by these accounts end?

0	5	0	1	2	0	1	9

Section 3 – People

3.1 Please provide the names of the people who were directors of the society during the financial year this return covers. Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

Name of director	Month and year of birth	
Matthew Ian Howells	September	1978
Alison Close	June	1975
Robert MacLachlan	February	1965
Jonathan Michael Wormald	September	1977

Continue on to a separate sheet if necessary.

3.2 All directors must be 16 or older. Please confirm this is this case:

All directors are aged 16 or over ☒

3.3 Societies are within the scope of the Company Directors Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:

No director is disqualified ☒

3.4 Please state any close links which any of the directors has with any society, company or authority. 'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

See Appendix

3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers. Societies must have a secretary.

Name of secretary	Month and year of birth	
Caroline Jane Sellers	January	1972

Section 4 – Financial information

4.1 Please confirm that:

accounts are being submitted with this form ☒

the accounts comply with relevant statutory and accounting requirements ☒

the accounts are signed by two members and the secretary (3 signatures in total) ☒

4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.

Number of members	2
Turnover	£275,583,000
Assets	£354,677,000
Number of employees (if any)	0
Share capital	3
Highest rate of interest paid on shares (if any)	N/A

4.3 What Standard Industrial Classification code best describes the society's main business? Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes here: http://resources.companieshouse.gov.uk/sic/

96030

Section 5 – Audit

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance: https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf

5.1 Please select the audit option the society has complied with:

Full professional audit ☒

Auditor's report on the accounts ☐

Lay audit ☐

No audit ☐

5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

We have complied with the audit requirements ☒

5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

Yes ☒

Not applicable ☐

The information below impacts the level of audit required of the society's accounts. Please provide answers to the following questions.

5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?

Yes ☐

No ☒

5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.

Not applicable ☒

OSCR number:	

5.6 Is the society a housing association?

No ☒ Go to **section 6**

Yes ☐ Go to question **5.7**

5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:

		Registration number
Homes and Communities Agency	☐	
Scottish Housing Regulator	☐	
The Welsh Ministers	☐	
Department for Communities (Northern Ireland)	☐	

Section 6 – Subsidiaries

6.1 Is the society a subsidiary of another society?

Yes ☒

No ☐

6.2 Does the society have one or more subsidiaries? (As defined in sections 100 and 101 of the Act)

Yes ☐ Continue to question 6.3

No ☒ Continue to Section 7

6.3 If the society has subsidiaries, please provide the names of them below (or attach an additional sheet)

Registration Number	Name

6.4 Please provide below (or on a separate sheet) the names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions: (the society must have written authority from us to exclude a subsidiary from group accounts)

Registration Number	Name	Reason for exclusion

Section 7– Condition for registration

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); **or**
- are conducting business for the benefit of the community ('community benefit society').

A society must answer the questions set out in either Section 7A or Section 7B of this form, depending on which condition of registration it meets.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance:
https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf

Section 7A - Co-operative societies

Co-operative societies must answer the following questions in relation to the financial year covered by this return.

7A.1 What is the business of the society? For example, did you provide housing, manufacture goods, develop IT systems etc.

Funeral and related activities.

7A.2 Please describe the members' common economic, social and cultural needs and aspirations. In answering this question, please make sure it is clear what needs and aspirations members had in common.

The Society's ultimate parent is Co-operative Group Limited ('the Co-op'), which is owned and democratically controlled by its individual members and Independent Society Members. Members' common economic, social and cultural needs and aspirations include the ability to share in the profits of the Co-op, adherence to co-operative values and high ethical standards, support for local community causes, the promotion of Fair Trade, and campaigning to change society for the better.

7A.3 How did the society's business meet those needs and aspirations? You have described the society's business answer to question 7A.1, and in question 7A.2 you have described the common needs and aspirations of members. Please now describe how during the year that business met those common needs and aspirations.

Members' ability to share in the profits of the Co-op is met by receiving a payment of 5% of the value of their purchase of branded Co-op goods and services. The aspiration of support for local community causes is met by an associated payment of 1% of purchases which is paid to the Co-op Local Community Fund with members having the choice of which local cause their funds are directed to. The adherence to co-operative values and principles is enshrined in the Co-op's Rules and high ethical standards are maintained through its governance structures. The Co-op made a long-term commitment to support Fair Trade at its 2019 AGM as well as having a long history of campaigning to change society for the better, examples of which are a

longstanding campaign to end Modern Slavery and the more recent 'Safer Colleagues, Safer Communities' campaign, which is committed to protecting Co-op colleagues as well as addressing the root causes of crime in society.

7A.4 How did members democratically control the society? For example, did the members elect a board at an annual general meeting; did all members collectively run the society.

The Society's ultimate parent is Co-operative Group Limited ('the Co-op'). The Co-op is owned and democratically controlled by its individual and independent Society members. Members of the Co-op exercise democratic control by voting on motions at its General Meetings and by electing Member Nominated Directors to the Board and representatives to the National Members' Council.

7A.5 What did the society do with any surplus or profit? For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

The Society paid a dividend to its members on the basis of their level of participation in the Society (i.e. level of shareholding).
Co-op Members derive benefit in the form of a membership award proposition that gives members 5% cash back on their own brand purchases and a 1% donation to a local cause of their choice.

Section 7B - Community benefit societies

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

7B.1 What is the business of the society? For example, did you provide social housing, run an amateur sports club etc.

7B.2 Please describe the benefits to the community the society delivered? Here we are looking to see *what* the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

7B.3 Please describe how the society's business delivered these benefits? The business of the society must be conducted for the benefit of the community. Please describe *how* the society's business (as described in answer to question 7B.1) provided benefit to the community.

7B.4 Did the society work with a specific community, and if so, please describe it here? For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

7B.5 What did the society do with any surplus or profit? For instance, did you donate the money; did money get reinvested in the business; put into reserves; used for some other purpose?

7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest. Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

Section 8– Declaration

The secretary of the society must complete this section.

Name	**Caroline Jane Sellers**
My signature below confirms that the information in this form is accurate to the best of my knowledge	
Signature	
Position	**Secretary**
Date	18.07.2019

Section 9 – Submitting this form

Please submit a signed, scanned version of this form along with your accounts and any auditor's report by email to: mutualsannrtns@fca.org.uk.

Or you can post the form to:

Mutual Societies
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

This form is available on the Mutuals Society Portal:
https://societyportal.fca.org.uk

Directorships Funeral Services Limited 30808R

Name	**Company/Society**	**Position**
Alison Close	Co-operative Legal Services Limited	Director
Alison Close	Funeral Services (Ireland) Limited	Director
Alison Close	Funeral Services Northern Ireland Limited	Director
Alison Close	The Co-operative Trust Corporation Ltd	Director
Robert MacLachlan	Federal Retail and Trading Services Limited	Director
Robert MacLachlan	Funeral Services Northern Ireland Limited	Director
Matthew Ian Howells	Co-operative Legal Services Limited	Chair
Matthew Ian Howells	Dovedon Limited	Director
Matthew Ian Howells	Collective Legal Solutions Group Limited	Director
Matthew Ian Howells	The Co-operative Trust Corporation Limited	Director
Matthew Ian Howells	Care Estate Planning Limited	Director
Matthew Ian Howells	CLS Probate Limited	Director
Matthew Ian Howells	Collective Legal Solutions Limited	Director
Matthew Ian Howells	Bereavement Advice Centre	Director
Matthew Ian Howells	Chorus Law Group Limited	Director
Matthew Ian Howells	Chorus Law Limited	Director
Matthew Ian Howells	Hinckley & Hunt Executor Company Limited	Director
Matthew Ian Howells	Hinckley & Hunt Company Limited	Director
Matthew Ian Howells	Independent Trust Corporation Limited	Director
Matthew Ian Howells	Lifecycle Bereavement Services Limited	Director
Matthew Ian Howells	Simplify Channel Ltd	Director
Matthew Ian Howells	Simplify Probate Limited	Director
Matthew Ian Howells	Angel Square Investments Limited	Director
Matthew Ian Howells	Funeral Services Norther Ireland Limited	Director
Matthew Ian Howells	The Wedding Makers Ltd	Director
Jonathan Michael Wormald	Federal Retail and Trading Services Limited	Director
Jonathan Michael Wormald	CFS Management Services	Director

Funeral Services Limited

Financial statements

Registered number 30808R

Period ended 5 January 2019

Corporate Information

Directors

A Close	
M Howells	Appointed 12.12.2018, resigned 13.06.2019
R MacLachlan	Resigned 27.11.2018
S Tyrer	Appointed 13.06.2019
J Wormald	Appointed 08.11.2018, resigned 19.12.2018

Secretary
C Sellers

Auditors
Ernst & Young LLP, Statutory Auditor
Chartered Accountants
2 St Peter's Square
Manchester
M2 3EY

Bankers
The Co-operative Bank p.l.c.
1 Balloon Street
Manchester
M60 4EP

Registered Office
1 Angel Square
Manchester
M60 0AG

Contents

Statement of Directors' responsibilities in respect of the financial statements

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

Registered Society Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Funeral Services Limited's ("the Society") financial statements are required by law to give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period.

In preparing the Society's financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Funeral Services Limited

Opinion

We have audited the financial statements of Funeral Services Limited (the Society) for the 52-week period period ended 5 January 2019 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Society's affairs as at 5 January 2019 and of its profit for the 52-week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the Society has not kept proper books of account; or
- the Society has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Society's books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 1 the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Funeral Services Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Jennifer Hazlehurst (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
Date:
28/6/19

Profit and loss account
for the period ended 5 January 2019

	Notes	For period ended 5 January 2019 £'000	For period ended 6 January 2018 (restated*) £'000
Revenue	2	275,583	288,168
Cost of sales		(26,458)	(30,187)
Gross profit		249,125	257,981
Administrative expenses		(230,252)	(215,720)
Branch closures	2	(5,606)	-
Profit / (loss) on disposal of property, plant and equipment	2	500	(494)
Operating profit	2	13,767	41,767
Other income		856	1,834
Profit on ordinary activities before taxation		14,623	43,601
Taxation	5	3,850	(4,545)
Profit for the period		18,473	39,056

All amounts relate to continuing activities.

Statement of comprehensive income
for the period ended 5 January 2019

The Society has no recognised income or expenses in the current or prior period other than those included in the income statement shown above, therefore a separate Statement of comprehensive income has not been presented. The total comprehensive income for the period ended 5 January 2019 was £18,473k (period ended 6 January 2018: £39,056k).

The notes on pages 7 to 18 form an integral part of these financial statements.
*Restated due to the application of IFRS 15, see note 1 for further information

Balance sheet
as at 5 January 2019

	Notes	As at 5 January 2019 £'000	As at 5 January 2019 £'000	As at 6 January 2018 (restated*) £'000	As at 6 January 2018 (restated*) £'000
Non-current assets					
Property, plant and equipment	7	205,081		186,304	
Intangible assets	8	40,724		43,211	
Other investments	9	1,223,187		1,075,948	
Trade and other receivables	13	72,426		31,870	
Contract Assets	11	46,717		41,173	
Deferred tax assets	18	-		8,766	
Total non-current assets			1,588,135		1,387,272
Current assets					
Inventories	10	4,719		4,313	
Trade and other receivables	13	190,603		178,253	
Contract Assets	11	3,788		2,437	
Cash and cash equivalents		134,985		145,129	
Corporation tax		17,459		-	
Assets held for sale	12	3,123		-	
Total current assets			354,677		330,132
Total assets			1,942,812		1,717,404
Non-current liabilities					
Interest bearing loans and borrowings	14	(3,420)		-	
Trade and other payables	15	(4,062)		(3,683)	
Contract Liabilities	16	(1,353,272)		(1,174,497)	
Provisions	17	(944)		(412)	
Deferred tax liabilities	18	(4,843)		-	
Total non-current liabilities			(1,366,541)		(1,178,592)
Current liabilities					
Interest bearing loans and borrowings	14	(390)		-	
Trade and other payables	15	(49,738)		(38,858)	
Contract Liabilities	16	(130,302)		(108,511)	
Provisions	17	(2,630)		(236)	
Total current liabilities			(183,060)		(147,605)
Total liabilities			(1,549,601)		(1,326,197)
Equity					
Called up share capital	19	-		-	
Retained earnings		(393,211)		(391,208)	
Total equity			(393,211)		(391,208)
Total equity and liabilities			(1,942,812)		(1,717,405)

*Restated due to the application of IFRS 15, see note 1 for further information

These financial statements were approved by the Board of Directors on 25 June 2019 and were signed on its behalf by:

A Close
Director

S Tyrer
Director

C Sellers
Secretary

Statement of changes in equity
for the period ended 5 January 2019

	Notes	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 6 January 2018 (restated*)		-	391,208	391,208
Profit for the period		-	18,473	18,473
Total comprehensive income for the period		-	18,473	18,473
Dividend paid	6	-	(16,470)	(16,470)
Balance at 5 January 2019		-	393,211	393,211
Balance at 31 December 2016 (reported)		-	460,386	460,386
IFRS 15 restatement	1	-	(57,076)	(57,076)
Balance at 31 December 2016 (restated*)		-	403,310	403,310
Profit for the period		-	39,056	39,056
Total comprehensive income for the period		-	39,056	39,056
Dividend paid	6	-	(51,158)	(51,158)
Balance at 6 January 2018 (restated*)		-	391,208	391,208

All items are shown net of tax.
*Restated due to the application of IFRS 15, see note 1 for further information

Notes
(forming part of the financial statements)

1 Accounting policies

Reporting entity
Funeral Services Limited ("the Society") is a Society domiciled in England and Wales. The address of the Society's registered office is 1 Angel Square, Manchester, M60 0AG.

Accounting date
The financial statements for the period are prepared for the 52 weeks to 5 January 2019. The Trading Group (Co-operative Group Limited, "Group" - see Note 20) subsidiaries prepare their accounts for the first Saturday of January unless 31 December is a Saturday. Comparative information is presented for the 53 weeks ended 6 January 2018.

Basis of preparation
The Society meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Society has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, fair value measurements, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

The specific exemptions that the Society has taken advantage of are :
- IFRS 7 Financial instruments: Disclosures
- Para 91-99 of IFRS 13 Fair Value Measurements
- Para 38 of IAS 1 Presentation of Financial Instruments
- Para 10 (d), 10 (f), 39 (c), 134-1356 of IAS 1 Presentation of Financial Instruments
- IAS 7 Cash flows
- Para 30-31 of IAS 8 Accounting policies, changes in accounting estimates and errors
- Para 17 of IAS 24 Related party disclosures
- IAS 24 Intra-group transactions

The Society financial statements have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and Financial Reporting Standard 101 'Reduced Disclosure Framework' and in accordance with applicable accounting standards and are prepared on the historical cost basis unless stated otherwise. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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

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

For details, please refer to Note 23.

Going concern
The Society meets its day to day working capital requirements through cash generated from operations and participation in facility arrangements provided by external lenders to Co-operative Group Limited (the "Group") and certain of its subsidiaries, including the Society ("the Group facilities"), and in respect of which the Society has provided a cross guarantee.

The principal subsidiaries of the Group are divided into the "Trading Group" and "Financial Services". A description and the composition of the Group, Trading Group and Financial Services can be found on page 182 and page 187 of the Group Annual Report 2018.

The Directors of the Society have prepared sensitised cash flow forecasts in respect of the Trading Group for a period in excess of 12 months from the date of authorisation of these financial statements and have discussed them with the Directors of the Group.

The Directors of the Society have discussed with the Directors of the Group the continued availability of the Group facilities, based on the most recent forecasts of Group's ability to continue to operate within the terms of those facilities, and an update on other matters discussed in the basis of preparation section of the financial statements of Co-operative Group Limited (authorised for issue on 5 April 2019) under the going concern heading.

Based on those discussions and after making all appropriate enquiries, the Directors have a reasonable expectation that the Society has access to adequate resources to enable it to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Society's financial statements.

Senior leaders from the Society are involved in the Group's Brexit Steering Group which is developing plans to mitigate any impact of Brexit on the Group and the Society.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Property, plant and equipment and depreciation

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

Fixed assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Society's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Freehold buildings	- 2.0% per annum
Hardware & Software	- 20% - 33.3% per annum
Plant and machinery	- 7.5% - 33.0% per annum
Fixtures and fittings	- 12.5% per annum
Motor vehicles	- 11.1% - 25% per annum

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.

1 Accounting policies (continued)
Property, plant and equipment and depreciation (continued)
(ii) Leased assets

Leases where the Society 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.

Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis. Where such leases are treated as investment properties, the assets are held at fair value and the leases are accounted for as finance leases.

Intangible assets

(i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of businesses, subsidiaries, associates, and joint ventures. In respect of business acquisitions that have occurred since 11 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

(ii) Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, 20% per annum. Goodwill is tested annually for impairment and is not subject to amortisation. Where there is indication of impairment an impairment review is performed.

(iii) Subsequent expenditure
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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

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

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

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.

(iv) Website
In Accordance with IAS 38 costs of developing our website are capitalised to the extent that they provide future economic benefit. Such assets are amortised over a period not exceeding 5 years with an annual review to ensure the carrying value is still reflective of future economic benefit.

Funeral plans
When a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet and at the same time an equal liability is also recorded in the balance sheet representing the deferred income to be realised on performance of the funeral service covered by each of the funeral plans. The investments are held in insurance policies or cash-based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The plan investment is a financial asset, which is recorded at fair value on each period through the income statement using valuations provided by the insurance policy provider or reflecting the trust cash balances. Under IFRS 15 any income or bonus payments attributable to the plan assets are not treated as finance income (in the income statement) as they do not reflect the completion of the performance obligation to perform the funeral for the customer. Instead these balances are held on the balance sheet as additional deferred income within Contract liabilities until the delivery of the funeral when they are recognised as revenue along with the original plan value.

Funeral benefit options (FBOs)
FBOs are attached to Guaranteed Over 50's life insurance plans (GOFs) sold by the Society's third party insurance partners. An FBO is the assignment of the sum-assured proceeds of a GOF policy to the Society for the purposes of undertaking their funeral. In exchange the GOF customer is awarded a discount on the price of the funeral.

No revenue is recognised by the Society at the point of assignment and instead an element of the costs that have been incurred in obtaining the FBO are deferred onto the balance sheet. These are then expensed at the point of redemption when the revenue is recognised. Any plans that are cancelled are written off at the point at which the Society is made aware of the cancellation. A separate provision is also made to cover the expected cancellations of FBOs. No investment or liability is recognised for FBOs as the option does not guarantee a funeral and the liability for which remains with the insurance partner. Any difference between the funeral price and the sum assured at the point of redemption is the liability of the deceased estate or whoever takes responsibility for arranging the funeral.

Low Cost Insurance Funeral Plans (LCIPs)
LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Society and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any outstanding amounts owed to the Society (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Society and the 3rd party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed and or cancelled.

The assured benefit between the Society and the customer is judged to represent an insurance contract and as such falls under the scope of IFRS 4 (Insurance Contracts). In-line with the requirements of IFRS 4 the Society accounts for the LCIPs in the same way as a normal funeral plan (see accounting policy above). These plans are assessed annually (gross of any reinsurance) using a liability adequacy test.

Financial Assets and Liabilities

i) Recognition of financial assets
Financial assets are recognised on the date that they are originated. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Society's business model for managing them. The Society initially measures a financial asset at its fair value, with the exception of trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them. For financial assets which are not held at fair value through the income statement, transaction costs are also added to the initial fair value. Trade receivables that don't contain a significant financing component or where the customer will pay for the related goods or services within one year of receiving them are measured at the transaction price determined under IFRS 15 (Revenue from Contracts with Customers).

ii) Derecognition of financial assets and financial liabilities
Financial assets are derecognised when they are qualifying transfers and:
- the rights to receive cash flows from the assets have ceased; or
- the Society has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

Measurement
The Society calculates expected credit losses in line with guidance under IFRS 9. Where there is evidence of impairment, any impairment loss is recognised in the income statement.

1 Accounting policies (continued)

Receivables and payables

For receivables and payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value, where the effect of discounting is immaterial.

Payable and receivables with a remaining life in excess of one year are deemed to be financial assets or liabilities and measured at the present value of the future cashflows discounted at a market rate of interest. Such assets and liabilities are subsequently carried at amortised cost.

Dividends

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

Pensions and other post-retirement benefits

The Society's employees were members of a Co-operative Group Limited (the "Group") wide pensions scheme, the Co-operative Group Pension (Average Career Earnings) Scheme (the Pace Complete Scheme). This Pace Complete Scheme is a defined benefit scheme. The Society contributed to the Pace Complete Scheme in respect of its employees who were members of the Scheme up until the end of October 2015 when it was closed to future accrual. However, the Society is unable to identify its share of the underlying assets and liabilities of the scheme and therefore contributions to the scheme up until the end of October were accounted for as if it were a defined contribution scheme. There is no contracted agreement or stated Group policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to individual Group entities, therefore Funeral Services Limited, in its individual financial statements, cannot recognise the net defined cost so charged. Refer to disclosure of information relevant to the scheme on note 4.

A defined contribution scheme is a pension plan under which the Society pays contributions into a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Inventories

Inventories and work in progress are stated at the lower of cost, including attributable overheads, and net realisable value. The cost of finished goods and work in progress includes the cost of materials and direct labour.

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.

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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred taxation

Deferred tax is provided, with no discounting, using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. In the case of investment properties it is assumed that uplifts on valuation principally reflect future rentals.

Revenue

Revenue is recognised in line with IFRS 15 (Revenue from Contracts with Customers). IFRS 15 defines performance obligations as a 'promise to provide a distinct good or service or a series of distinct goods or services'. Revenue is recognised when a performance obligation has been delivered which reflects the point when control over a product or service transfers to a customer. Revenue is measured based on the consideration set out in the contract with the customer and excludes amounts collected on behalf of third parties.

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

Revenue is recognised when separate performance obligations are delivered to the customer. For funeral sales ('at need') and funeral plan sales ('pre need') the only separable performance obligation is the funeral itself and therefore revenue is only recognised when the funeral is performed (or the plan is redeemed and the funeral is performed).

In the supply of monumental masonry, revenue is recognised at the point the masonry is fitted into place.

Contract Liabilities

A contract liability is presented in the balance sheet where a customer has paid an amount of consideration prior to us undertaking the service for the customer. Amounts received from customers in respect of funeral plans are invested in individual whole-of-life policies, trusts or life assurance products. These are held as investments on the balance sheet and attract interest and bonus payments throughout the year dependent upon market conditions. The corresponding obligation to deliver the funeral is shown in the balance sheet as a contract liability until the funeral is performed (at which point the revenue is recognised). See note 16 (Contract Liabilities) for further details.

Contract Assets

A contract asset is recognised when our right to consideration is conditional on something other than the passage of time. For funeral plans, fulfilment costs (which are costs relating directly to the plan sale which otherwise wouldn't have been incurred) are deferred and shown in the balance sheet as a contract asset. The costs are then recognised in the income statement at the point that the funeral is performed and in line with when the revenue is recognised. See note 11 (Contract Assets) for further details.

Member Rewards

The 5% member rewards earned as part of the membership offer are recognised as a reduction in sales at the point they are earned with a corresponding liability being held on the Group's balance sheet. The liability is reduced and the sale recognised when the rewards are redeemed. The 1% community reward is recognised as an operating expense in the income statement when it is earned.

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.

Share capital

Where the Board has an unconditional right to refuse redemption of co-operative share capital, such shares are treated as equity.

Provisions

A provision is recognised in the balance sheet when the Society 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.

1 Accounting policies (continued)

New and amended standards and interpretations:

The Society has applied all endorsed IFRSs that are effective on a European basis for the Group's financial statements for the period ended 5 January 2019 and the comparative period.

The Society applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Society. The Society has not early-adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Changes in significant accounting policies

The Society has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 7 January 2018.

The effect of initially applying these standards is mainly attributed to the following:

IFRS 15:

• later recognition of revenue on funeral plan sales so that no revenue is recognised until the plan is redeemed and the funeral performed;

• deferment of fulfilment costs (which are costs directly relating to the plan sale which otherwise wouldn't have been incurred) associated with delivering the funeral until the funeral is delivered. These balances are recognised as contract assets.

• the Society has adopted the standard using the fully retrospective approach which means that the comparative figures have been restated as shown in the tables below.

Presentational changes have also been made to the balance sheet following the adoption of IFRS 15:

• Contract liabilities (current and non-current); a contract liability is presented in the balance sheet where a customer has paid an amount of consideration prior to us undertaking the service for the customer (such as funeral plans paid for in advance). These liabilities are split between due within one year and over one year.

• Contract assets (current and non-current): a contract asset is recognised when our right to consideration is conditional on something other than the passage of time, for example, we need to take some action before the customer has to pay us (such as funeral costs incurred before the funeral has taken place). These assets are split between due within one year and over one year and ;

Other balance sheet items

• Trade receivables and trade payables previously contained balances that are now recognised as contract assets and contract liabilities respectively.

• As revenue is no longer recognised until a plan is redeemed and the funeral performed there is no longer a requirement for a cancellation provision.

• Tax and reserves for prior years have been restated as a consequence of adopting IFRS 15.

IFRS 9:

Financial assets held by the Society continue to be accounted for as financial assets with movements in fair value taken to the income statement where appropriate. Adopting this standard had no material impact on the Society's accounts.

Summary impact of adopting IFRS 15 on comparative financial statements:

Income statement for 53 weeks ended 6 January 2018:

	Originally reported	IFRS 15 impact	Restated
	£'000	£'000	£'000
Revenue	310,631	(22,463)	288,168
Cost of sales	(31,563)	1,376	(30,187)
Gross profit	**279,068**	**(21,087)**	**257,981**
Administrative expenses	(217,123)	1,403	(215,720)
Loss on disposal of fixed assets	(494)	-	(494)
Operating profit	**61,451**	**(19,684)**	**41,767**
Other income	1,834	-	1,834
Profit on ordinary activities before taxation	**63,285**	**(19,684)**	**43,601**
Taxation	(8,285)	3,740	(4,545)
Profit for the period	**55,000**	**(15,944)**	**39,056**

Balance sheet as at 6 January 2018:

	Originally reported	IFRS 15 impact	Restated
	£'000	£'000	£'000
Property, plant and equipment	186,304	-	186,304
Intangible assets	43,211	-	43,211
Other investments	1,075,948	-	1,075,948
Trade and other receivables	58,952	(27,082)	31,870
Contract Assets	-	41,173	41,173
Deferred tax assets	-	8,766	8,766
Total non-current assets	**1,364,415**	**22,857**	**1,387,272**
Inventories	4,313	-	4,313
Trade and other receivables	178,253	-	178,253
Contract Assets	-	2,437	2,437
Cash and cash equivalents	145,129	-	145,129
Total current assets	**327,695**	**2,437**	**330,132**
Trade and other payables	(1,069,270)	1,065,587	(3,683)
Contract Liabilities	-	(1,174,497)	(1,174,497)
Provisions	(2,647)	2,235	(412)
Deferred tax liabilities	(8,362)	8,362	-
Total non-current liabilities	**(1,080,279)**	**(98,313)**	**(1,178,592)**
Trade and other payables	(147,367)	108,511	(38,857)
Contract Liabilities	-	(108,511)	(108,511)
Provisions	(236)	-	(236)
Total current liabilities	**(147,603)**	**-**	**(147,604)**
Retained earnings	(464,228)	73,020	(391,208)
Total equity	**(464,228)**	**73,020**	**(391,208)**
Impact of IFRS 15 on 2017 profit for the period	55,000	(15,944)	39,056
Impact of IFRS 15 on pre-2017 reserves	409,228	(57,076)	352,152
Total impact on equity and reserves	464,228	(73,020)	391,208

Other new and amended standards adopted by the Society

The Society also adopted IFRS 4 (amendments) for the first time for reporting periods commencing after 7 January 2018 but this had no material impact on the Society's accounts.

Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Society's accounting policies. After that, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Society's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

1 Accounting policies (continued)

Finance leases

Finance leases are accounted for at amortised cost in accordance with IFRS 9. Borrowings are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is calculated when borrowings are first taken out and is the rate that exactly discounts the estimated future cash payments associated with the borrowings to the value when they are initially recognised.

Investments

Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to do so and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Functional currency

The functional currency for the Society is pound sterling.

2 Operating profit

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

	For period ended 5 January 2019 £'000	**For period ended 5 January 2019 £'000**	For period ended 6 January 2018 £'000	For period ended 6 January 2018 £'000
Profit on ordinary activities before taxation is stated after charging / (crediting):				
Depreciation		21,156		18,958
Amortisation of intangibles		1,210		1,231
Branch closure dilapidations and onerous lease provisions	2,838		-	
Branch closure property, plant and equipment impairment	1,500		-	
Branch closure goodwill impairment	1,268		-	
Branch closure		5,606		-
(Profit) / loss on sale of property, plant and equipment - Others	(801)		208	
Other impairment of property, plant and equipment	301		286	
(Profit) / loss on disposal of property and fixed assets		(500)		494
Operating lease rental charges		8,879		7,919
Cost of inventory consumed		14,247		14,921
Staff costs (see note 3)		115,478		116,131
Provision for doubtful debts		1,378		2,984

The auditor's remuneration of £45,000 (2017: £44,000) is borne by the ultimate parent undertaking.

Other income of £856k (2017: £1,834k) relates to a rebate from the Parent company for the community reward.

3 Staff numbers and costs

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

	Number of employees for period ended 5 January 2019	Number of employees for period ended 6 January 2018
Full-time	2,447	2,402
Part-time	1,849	1,794
	4,296	4,196

The aggregate payroll costs of these persons were as follows:

	For period ended 5 January 2019 £'000	For period ended 6 January 2018 £'000
Wages and salaries	98,965	99,833
Social security costs	8,231	8,729
Other pension costs (see note 4)	8,282	7,569
	115,478	116,131

	For period ended 5 January 2019 £'000	For period ended 6 January 2018 £'000
Directors emoluments	572	556
Society pension contributions to personal pension schemes	3	3
	575	559

The emoluments of the highest paid director amounted to £333k (2017: £336k), this did not include any contributions to personal pension schemes (2017: nil).

4 Pension Scheme

The Society is a wholly owned subsidiary of Co-operative Group Limited ("Group") which operated a defined benefit scheme (the Pace Complete scheme) up until the end of October 2015 when it was closed to future accrual. The assets are held in a separately administered trust. Until December 2013, the Pace scheme was defined as a Group plan, as all participating entities were under the common control of Co-operative Group Limited (the sponsoring employer). Following the recapitalisation of The Co-operative Bank PLC in December 2013, the various entities participating in the Pace plan are no longer under common control of the Group and as a result, the Pace scheme became a multi employer scheme. Full details of the Pace plan for the period ending 5 January 2019 are disclosed in the Group's consolidated financial statements for that period.

4 Pension Scheme (continued)

This Society is neither the sponsoring entity nor legally defined as a participating employer of the Pace Complete scheme. However, as the Society either currently employs or has historically employed members of the Pace scheme, the charge made to the Society up until the end of October 2015 by the ultimate parent Society for employment costs includes a charge in respect of the Pace scheme at an agreed percentage of the pensionable wage. The agreed percentage of pensionable wage is determined by an independent qualified actuary. The amount recognised as an expense in respect of the Pace scheme for this Society was £8,281,824 (2017: £7,569,015). This is included in the staff costs as disclosed in note 3.

As the Pace Complete Scheme was closed to future accrual at the end of October 2015, the Pace DC scheme was expanded. The employer contributions made by the Society have been charged to the income statement when incurred.

5 Taxation

Analysis of credit in period	For period ended 5 January 2019 £'000	For period ended 5 January 2019 £'000	For period ended 6 January 2018 £'000	For period ended 6 January 2018 £'000
UK corporation tax				
Group relief receivable	17,459		-	
Total current tax		17,459		-
Deferred tax (see note 17)				
Deferred tax - current period items	(18,246)		2,277	
Deferred tax adjustments in respect of previous periods	4,683		(6,825)	
Effect of rate of change on closing balance	(46)		3	
		(13,609)		
Tax on profit on ordinary activities		3,850		(4,545)

Factors affecting the tax charge for the current period

The tax on the net profit before tax differs from the theoretical amount that would arise using the standard applicable blended rate of corporation tax of 19% (2017: 19.25%) as follows:

	For period ended 5 January 2019 £'000	For period ended 6 January 2018 £'000 *Restated
Current tax reconciliation		
Profit before tax	14,623	43,601
Tax at 19% *(2017: 19.25%)*	(2,778)	(8,394)
Effects of:		
Expenses not deductible for tax purposes	228	(19)
Depreciation and amortisation on non-qualifying assets	(1,712)	(1,454)
Transfer pricing	688	
Adjustments to tax charge in respect of previous periods	4,683	(6,824)
Restatement of deferred tax to 17.04% (2017 restated: 18.33%)	70	116
Taxable dividends paid	3,129	9,847
Group relief not paid for	-	2,256
Profit on disposal of fixed assets	(458)	(79)
Capital gains not subject to tax	-	6
Total income tax charge (see above)	3,850	(4,545)

The Finance Act 2015 will reduce the main rate of corporation tax to 19% from 1 April 2017 and the Finance Act 2016 will further reduce the main rate of corporation tax to 17% from 1 April 2020. This will reduce the company's future current tax charge accordingly. Each deferred tax balance has been measured individually based on the tax rate at which it is expected to unwind (either 17% or 19%). This results in a blended deferred tax rate of 17.04% at the balance sheet date.

*Restated due to the application of IFRS 15, see note 1 for further information

6 Dividends

A dividend of £16,469,600 was declared in the year (2017: £51,158,000).

7 Property, plant and equipment

As at 5 January 2019

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost						
At 6 January 2018	133,740	248	112,067	72,849	6,670	325,574
Additions	5,628	1,339	27,100	4,050	8,021	46,138
Disposals	(618)	-	(2,158)	(8,477)		(11,253)
Transfers from assets under construction	86	322	1,078	-	(1,486)	-
Reclassified as assets held for sale	(4,759)	-	-	-	-	(4,759)
Intra-group statutory transfer	38	(18)	38	(15)		43
At 5 January 2019	**134,115**	**1,891**	**138,125**	**68,407**	**13,205**	**355,743**
Depreciation						
At 6 January 2018	40,019	216	51,821	47,214	-	139,270
Charge for the period	2,397	58	12,308	6,393		21,156
Disposals	(119)	-	(1,452)	(8,360)		(9,931)
Impairment[1]	837	3	961	-		1,801
Reclassified as assets held for sale	(1,636)	-	-	-		(1,636)
Intra-group statutory transfer	8	-	9	(15)		2
At 5 January 2019	**41,506**	**277**	**63,647**	**45,232**	**-**	**150,662**
Net book value						
At 5 January 2019	**92,609**	**1,614**	**74,478**	**23,175**	**13,205**	**205,081**
At 6 January 2018	93,721	32	60,246	25,635	6,670	186,304
Capital work in progress included above	-	-	-	-	13,205	13,205

7 Property, plant and equipment (continued)

Motor vehicles includes assets held under finance leases as follows:

	For period ended 5 January 2019 £'000	For period ended 6 January 2018 £'000
Cost	3,936	-
Accumulated depreciation	(161)	-
Net book value	3,775	-

[1] Impairments relate to individual stores where the carrying value exceeded the fair value less costs to sell and the value in use. The impairment loss on freehold land and buildings and fixtures and fittings arose in connection with the refit of funeral homes that took place during the financial year. The refit programme is estate-wide and there are more funeral homes expected to be refitted during the next financial year.

Impairment of £1,500k (2017: nil) for funeral homes that are expected to close in 2019 was recognised in branch closures in the income statement, of which £67k relates to assets held for sale (2017: nil).

Freehold land is not depreciated. Freehold land was £16,435k as at 5 January 2019 (2017: £16,516k).

The Society has assets in use which are fully written down with nil NBV. As at 5 January 2019, the cost of fully written-down assets was £42,834k (2017: £24,127k).

8 Intangible Assets

As at 5 January 2019

	Goodwill £'000	Website £'000	Total £'000
Cost			
At 6 January 2018	42,370	6,099	48,469
Additions	118	-	118
Disposal	(127)	-	(127)
At 5 January 2019	42,361	6,099	48,460
Amortisation			
At 6 January 2018	819	4,439	5,258
Charge for the period	-	1,210	1,210
Impairment	1,268	-	1,268
At 5 January 2019	2,087	5,649	7,736
Net book value			
At 5 January 2019	40,274	450	40,724
At 6 January 2018	41,551	1,660	43,211

The Society 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 to Cash Generating Units (CGUs) are determined by value in use calculations. To prepare value in use calculations, the Society uses cash flow projections for a 10 year period then into perpetuity from year 11. 2019-2021 forecasts are based on the Board approved three year plan with cash flows beyond this period are extrapolated at the 2019 cash flows to reflect the risk of declining death rate in the United Kingdom offset by improved cost management in the business. Expected capital spend for refurbishments is also included assuming an 8 year refit cycle costing £56,000 per branch. Group Corporate costs have also been allocated to each CGU. These calculations are then discounted back to present value, using the post-tax discount rate of 7.9%. The post-tax discount rate has been adjusted for Society 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 £187m (2017: £242m).

Post Investment Appraisal (PIA) reviews are done for the website asset. The last PIA was prepared in June 2016 and showed no impairment of the website asset. The key assumptions that drive the PIA are incremental cash flows on expected future Funeral Plan sales volumes generated from the website, discounted for the Society's cost of capital.

Impairment charges of £1,268k (2017: nil) are recognised in property closures within the income statement.

Amortisation charges of £1,210k (2017: £1,231k) are recognised in administrative expenses within the income statement.

9 Other investments

	As at 5 January 2019 £'000	As at 6 January 2018 £'000
At beginning of year	1,075,948	871,832
New funeral Plan additions	125,776	245,721
Existing funeral Plans redeeemed and cancelled	(70,866)	(144,497)
Interest and Bonus applied	92,329	102,892
At end of year	1,223,187	1,075,948

Included in the balances above are Low Cost Instalment Funeral Plans (LCIP) of £69m. This relates to 14,566 plans, see note 1 for accounting policy for LCIPs.

The liability adequacy test on the LCIP fund is performed from the overall pool of funds and this done gross of any reinsurance arrangements. The base assumptions used for these funds are the same as the wider pool. The surplus on the LCIP funds based on the actuarial valuation is £2.2m.

The assured benefit between the Society and the customer is judged to represent an insurance contract and as such falls under the scope of IFRS 4 (Insurance Contracts). In-line with the requirements of IFRS 4 the Society accounts for the LCIPs in the same way as a normal funeral plan (see accounting policy above). These plans are assessed annually (gross of any reinsurance) using a liability adequacy test.

The Society holds investments on the balance sheet in respect of funeral plan policies which are invested in either individual whole-of-life policies, trusts or life assurance products. The investments are subject to an annual actuarial valuation. This gives an assessment as to the headroom of the funeral plan investments over an estimated present value (on a wholesale basis) of delivering the funeral. The most recent valuation was performed as at 30 September 2018 and the headroom achieved is shown in the table below.

9 Other investments (continued)

Funeral Plan Investments Actuarial Valuation

	30 September 2018 £m	30 September 2017 £m
Total Assets	1,156	1,013
Liabilities:		
Present value (wholsale basis)	1,036	871
Total Liabilities	1,036	871
Headroom	120	142
Headroom as a % of liabilities	12%	16%

As expected, during the period plan sales significantly exceeded plan redemptions, giving an increase in both total assets and liabilities. The overall surplus has reduced, primarily as a result of lower expected post-tax-and-fees investment returns and an increase to the wholesale cost of providing a funeral.

Key assumptions	30 September 2018	30 September 2017
Average total wholesale costs per plan funeral	2,705	2,563

The actuarial report is a best estimate and is neither deliberately optimistic nor pessimistic. It is prepared by independent actuaries based on management assumptions such as future funeral and disbursement inflation. The headroom percentage is expressing the surplus as a percentage of total liabilities. A 0.1% increase in the inflation assumptions would reduce the surplus by approximately £16m (2017: £12m).

The "wholesale" actuarial valuation is based upon the Co-operative Group Limited's (the "Group") estimate of the direct cost for a third party funeral director to perform the promised services and the payment of associated disbursements (crematoria, clergy fees etc) as if the Group were not in a position to carry out these funerals. No incremental overheads are included because it's assumed that the provider could absorb these funerals into existing infrastructures. As the Group fully intends to perform these funerals and undertake the professional funeral services itself the actual cost would in reality be lower and subsequent marginal cost surplus would be higher than the wholesale cost surplus.

10 Inventories

	As at 5 January 2019 £'000	As at 6 January 2018 £'000
Raw materials and consumables	485	463
Work in progress	127	83
Finished goods	4,107	3,767
At end of year	4,719	4,313

11 Contract Assets

	As at 5 January 2019 £'000	As at 6 January 2018 £'000 (restated*)
Non-current	46,717	41,173
Current	3,788	2,437
At end of year	50,505	43,610

	As at 5 January 2019 £'000	As at 6 January 2018 £'000
Opening contract assets	43,610	31,483
Fulfilment costs - incurred on new funeral plan sales	9,865	14,786
Fulfilment costs - transferred to the income statement on funeral plan redemptions	(2,214)	(1,754)
Fulfilment costs - transferred to the income statement on funeral plan cancellations	(756)	(905)
Closing contract assets	50,505	43,610

No provision for expected credit losses has been recognised against contract assets in either the current or prior year.

A contract asset is recognised when our right to consideration is conditional on something other than the passage of time. For funeral plans then fulfilment costs (which are costs relating directly to the plan sale which otherwise wouldn't have been incurred) associated with delivering the funeral are deferred and shown in the consolidated balance sheet as a contract asset until the funeral is performed (at which point the costs are recognised in the income statement in line with when the revenue is recognised).

*Restated due to the application of IFRS 15, see note 1 for further information

12 Assets held for sale

The assets held for sale relate to the land and buildings of care homes that have been approved for closure at year end and are expected to be sold during 2019.

	As at 5 January 2019 £'000	As at 6 January 2018 £'000
Land and buildings	3,123	-
Total Assets held for sale	3,123	-

An impairment charge of £67k (2017: nil) was recognised in property closures in the income statement in relation to these assets.

The assets held for sale do not represent a major line of business or major geographical area of operation, therefore there is no discontinued operations disclosure.

13 Trade and other receivables

	As at 5 January 2019 £'000	As at 6 January 2018 £'000 (restated*)
Non-current assets:		
Trade receivables	72,426	31,870
	72,426	31,870
Expected obligations of funeral plan redemptions fall due as		
Between two and five years inclusive	34,886	10,960
Over five years	37,540	20,910
	72,426	31,870
Current assets:		
Trade receivables	48,645	47,848
Amounts owed by group undertakings	139,245	128,257
Prepayments and accrued income	2,713	2,148
	190,603	178,253

Trade receivables are non-interest bearing and the Society's standard payment terms are 60 days.

The £72m of non-current debt relates to pre-paid funeral plan instalments where customers have been invoiced before the funeral has occurred. £38m of current debt also relates to pre-paid funeral plan instalments which are £110m in total.

Trade receivables are stated at their fair value which includes a credit risk impairment of £5.2m (2017: £5.0m). The Society has applied the expected losses model as defined under IFRS 9 (Financial Instruments) which focuses on the risk that a trade receivable will default rather than whether a loss has been incurred. The Society has applied a simplified approach as allowed under IFRS 9 to use a provision matrix for calculating expected losses for trade receivables as shown in the table below.

		Days past due date			
	Current	<3 months	3 to 6 months	More than 6 months	Total
Expected credit loss rate (%)	0.52%	14%	72%	69%	
Estimated gross total carrying amount (£k)	7,828	2,788	1,069	5,850	17,535
Expected credit loss (£k)	41	382	768	4,031	5,222

Unprovided debts in the over 3 months old and 12 months old categories are often being paid in regular instalments.

Amounts owed by group undertakings are repayable on demand. At the period end it was determined that the counterparty has sufficient cash to repay the debtor balance so the probability of a default occuring is low, therefore there is no expected credit loss in relation to this balance.

*Restated due to the application of IFRS 15, see note 1 for further information

14 Interest Bearing Loans and Borrowings

The Society has finance leases for motor vehicles with terms of between 5 and 9 years.

	As at 5 January 2019 £'000	As at 6 January 2018 £'000
Non-current Finance Leases	3,420	-
Current Finance Leases	390	-
	3,810	-

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are, as follows:

	Minimum payments As at 5 January 2019 £'000	Present value of payments As at 5 January 2019 £'000	Minimum payments As at 6 January 2018 £'000	Present value of payments As at 6 January 2018 £'000
Less than one year	596	390	-	-
Greater than one year but less than 5 years	2,088	1,780	-	-
Greater than 5 years	2,006	1,640	-	-
Total minimum lease payments	4,690	3,810	-	-
Less amounts representing finance charges	(880)	-	-	-
Present value of minimum lease payments	3,810	3,810	-	-

Finance charges totalling £78k (2017: nil) were recognised in the income statement.

15 Trade and other payables

	As at 5 January 2019 £'000	As at 6 January 2018 £'000 (restated*)
Non-current liabilities:		
Accruals and deferred income	4,062	3,683
	4,062	3,683
Current liabilities:		
Trade payables	27,174	29,763
Other payables including taxation and social security	842	775
Accruals and deferred income	21,722	8,319
	49,738	38,857

*Restated due to the application of IFRS 15, see note 1 for further information

16 Contract Liabilities

	As at 5 January 2019 £'000	As at 6 January 2018 £'000 (restated*)
Non-current	1,353,272	1,174,497
Current	130,302	108,511
At end of year	1,483,574	1,283,008
Opening contract liabilities	1,283,008	1,036,808
New plan additions (deferred income)	213,630	282,416
Interest and bonus applied (deferred income)	92,329	64,447
Plans cancelled or redeemed outside of the Society	(20,259)	(22,083)
Recognised as revenue in the year	(85,134)	(78,580)
Closing contract liabilities	1,483,574	1,283,008

Included in the balances above are Low Cost Instalment Funeral Plans (LCIP) of £69m. This relates to 14,566 plans, see note 1 for accounting policy for LCIPs.

*Restated due to the application of IFRS 15, see note 1 for further information

17 Provisions

	Dilapidation Provision £'000	Onerous lease Provision £'000	Rent Free Period Provision £'000	As at 5 January 2019 Total £'000	As at 6 January 2018 Total £'000 (restated*)
At beginning of the period	142	112	394	648	991
Additional provisions made in the period	1,351	1,807	53	3,211	94
Amounts used during the period	-	(206)	(79)	(285)	(437)
At end of the period	1,493	1,713	368	3,574	648
Non-current				944	412
Current				2,630	236
				3,574	648

Following a review of the estate the dilapidation and onerous lease provision was increased as a result of the closure of a number of care homes. We continue to review our estate and make provision for dilapidations and onerous leases we are likely to have to make in accordance with our lease obligations.

A provision has been made to reflect the benefit accruing from rent free periods at the inception of leases.

*Restated due to the application of IFRS 15, see note 1 for further information

18 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective tax rate of 17.04% (2017 restated: 18.33%).

	As at 5 January 2019 £'000	As at 6 January 2018 £'000 (restated*)
Deferred taxation asset / (liability)		
Deferred tax asset /(liability) brought forward	8,766	(77)
IFRS 15 Revenue recognition reserves restatement	-	13,388
Income statement charge in the period	(13,609)	(4,545)
Deferred tax (liability) / asset closing balance	(4,843)	8,766

18 Deferred Taxation (continued)

Comprising:		
Other temporary differences	425	213
Capital allowances on fixed assets	2,581	(428)
Unrealised gains on investment properties, rolled-over gains and historic business combinations	(7,849)	(8,146)
Impact of IFRS 15 revenue recognition reserves restatement	-	17,127
Deferred tax (liability) / asset	(4,843)	8,766

The Society has reviewed its methodology of determining the temporary differences arising in respect of accelerated tax depreciation on its fixed assets and as a result has revised the estimation techniques poviously used therein.

*Restated due to the application of IFRS 15, see note 1 for further information

19 Called up share capital

	As at 5 January 2019 £	As at 6 January 2018 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	3	2

20 Commitments and contingent liabilities

(i) Capital expenditure committed by the Society at period end was £2,255,000 (period ended 6 January 2018: £426,000)

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

	As at 5 January 2019 Land and buildings £'000	As at 6 January 2018 Land and buildings £'000
Operating leases payments due:		
Within one year	8,419	7,872
In the second to fifth years inclusive	16,461	16,100
Over five years	23,667	23,260
	48,547	47,232

(iii) In accordance with Schedule 1 Part 1 of Co-operative Group Limited £355.0m (2017: £355.0m) facilities agreement dated 12th February 2016 Funeral Services Limited has been identified as a Guarantor under this facility. As at 5 January 2019 £15m (2017 £nil) of this facility was drawndown.

21 Group Entities

Ultimate parent company

The Society is immediately owned and a wholly owned subsidiary of Co-operative Group Holdings (2011) Limited, a Registered Society registered in England and Wales.

The Society's ultimate parent undertaking and controlling party is Co-operative Group Limited, a Registered Society registered in England and Wales. This is the smallest and largest group of which the Society is a member and for which consolidated accounts are prepared. A copy of the group accounts can be obtained from the Secretary, Co-operative Group Limited, 1 Angel Square, Manchester, M60 0AG.

22 Related parties

Identity of related parties

The Society has a related party relationship with its Directors.

The Directors' emoluments are disclosed in Note 3.

Other related party transactions

Transactions with other Trading Group subsidiaries

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

23 Accounting estimates and judgements

Key Judgements

Revenue from contracts with customers: Funeral plans

IFRS 15 (Revenue from contracts with customers) requires that revenue should be recognised in respect of separate performance obligations delivered to the customer. In applying the new revenue standard to funeral plan sales the Society has concluded that the only separate performance obligation is the funeral itself and therefore revenue can only be recognised at the date the plan is redeemed and the funeral is performed.

Assets held for sale

As the Society was actively committed to the sale of properties relating to closed branches at the balance sheet date and it is deemed to be highly probable to happen within one year then it is judged that the carrying amount of the assets will principally be recovered through a sale transaction rather than though continuing use.

As such the assets are shown as held for sale in the balance sheet. A key judgement within the classification as held for sale is the valuation of the assets which are shown at fair value less costs to sell and that these properties will be sold within one year.

The assets held for sale do not represent a major line of business or major geographical area of operation, therefore there is no discontinued operations disclosure.

Estimates and assumptions

Impairment of non-financial assets

The carrying amount of non-financial assets (such as property, plant and equipment or goodwill and intangibles) is reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. For property assets then the fair value less costs to sell are measured using internal valuations based on the rental yield of the property.

The Society estimates the value in use of an asset by projecting future cash flows into perpetuity and discounting the cashflows associated with that asset at a post-tax rate of 7.9% (reflecting current market assessments and company specific risks). Cash flows are projected using a four-year plan. Cash flow projections beyond four years (and therefore outside of the four-year plan period) use a steady growth rate. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows net of cost and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives.

23 Accounting estimates and judgements (continued)

Provisions

A provision is recognised in the balance sheet when the Society 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. The most significant provision for the Society relates to dilapidations and onerous leases on properties that are no longer used for trading purposes and significant assumptions and estimates are made in relation to the estimation of future cash flows and an appropriate discount rate is applied where relevant.

Provisions for onerous leases are primarily based on contractual obligations and therefore the estimate of uncertainty is not high.

Dilapidations are based on our best estimate using all available information as at the balance sheet date including internal subject matter experts. The liability is sensitive to negotiations with landlords.

24 Events after the reporting period

CMA Investigation

Post year end, the CMA has announced its decision to launch an in-depth market investigation into the funeral sector. It is too early in the investigation to draw any conclusion with regard to findings and the impact on the Society.