



## Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

### Society name:

Funeral Services Limited

### Important information you should read before completing this form

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- any personal details you give on the form will be placed on the society's public file.
- it is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to process your annual return.

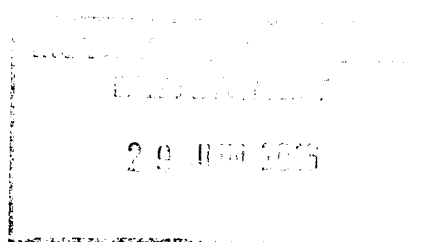
Please keep a copy of the form and supporting documents for future reference.

### Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014





## Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

### Filling in the form

**1** If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print the completed form and arrange for it to be signed by all relevant individuals.

**2** If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

**3** If you make a mistake, cross it out and initial the changes; do not use correction fluid.

**4** If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will treat the application as incomplete. This will increase the time taken to assess your application.

**5** If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

**6** Email a scanned copy of the signed form and supporting documents to

**[mutualsanrtns@fca.org.uk](mailto:mutualsanrtns@fca.org.uk)**

or send it by post to:

Mutuals Team  
Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
LONDON  
E14 5HS

**7.** Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

# 1

## Details of society

### 1.1 Details of the society

|                           |                              |
|---------------------------|------------------------------|
| Register number           | 30808R                       |
| Registered office address | 1 Angel Square<br>Manchester |
| Postcode                  | M60 0AG                      |

### 1.2 Year end date (dd/mm/yyyy)

See Note 1.2

|   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|
| 0 | 2 | / | 0 | 1 | / | 2 | 0 | 1 | 6 |
|---|---|---|---|---|---|---|---|---|---|

### Committee of management

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

### 1.3 Details of Chairman

|   |
|---|
| Name  |
| Address   |
| Postcode  |
| Year of birth                                     |
| Business occupation<br>and other<br>directorships |

### 1.4 Details of Treasurer

|   |
|---|
| Name  |
| Address   |
| Postcode  |
| Year of birth                                     |
| Business occupation<br>and other<br>directorships |

**1.5 Details of Secretary**

|   |                              |
|---|------------------------------|
| Name  | Caroline Sellers             |
| Address   | 1 Angel Square<br>Manchester |
| Postcode  | M60 0AG                      |
| Year of birth                                     | 1972                         |
| Business occupation<br>and other<br>directorships | Chartered Secretary          |

**1.6 Details of Members of the Committee**

| Name          | Address                                 | Year of birth | Business occupation and other directorships |
|---------------|---|---------------|---|
| Alison Close  | 1 Angel Square<br>Manchester<br>M60 0AG | 1975          | Director                                    |
| Andrew Oldale | 1 Angel Square<br>Manchester<br>M60 0AG | 1968          | Director                                    |
|               |   |               |   |
|               |   |               |   |
|               |   |               |   |
|               |   |               |   |

Please use separate sheets of paper if you need more space, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

0

**Please continue, answering all questions.**

**1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?**

- ☒ No  
☐ Yes

**1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000?** (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage business). If 'yes' please state the society's Financial Services Register firm reference number

- ☒ No  
☐ Yes

Financial Services Register firm reference number

**1.9 Is the society a subsidiary of another society?**

- ☐ No  
☒ Yes

**1.10 Does the society have one or more subsidiaries?**

- ☐ No  
☒ Yes

**1.11 Is the society currently accepted by the HM Revenue and Customs as a charity for tax purposes?**

- ☒ No  
☐ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

- ☐ Yes

**1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?**

- ☒ No  
☐ Yes ▶ provide your Scottish Charity number below

**1.13 Is the society registered with one of the following (please tick)?**

- ☐ Homes and Communities Agency  
☐ The Welsh Ministers  
☐ Scottish Housing Regulator

If so, please provide your register number

**All societies must answer the following questions:**

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

**Bona fide co-operative society**

**1.14 How did members benefit from the business, industry or trade of the society during the year?**

The purpose of Funeral Services Limited (the "Society") is the legal entity for the Co-operative Group's Funeralcare business, the UK's leading funeralcare business. The Society is a wholly owned subsidiary of Co-operative Group Limited (the "Group") and its strategy is aligned with the Group, also a registered society under the Co-operative and Community Benefit Societies Act 2014. Funeralcare is at the heart of it's communities and championing and transforming attitudes to later life and bereavement with its membership and broader communities is at the heart of its strategy.

**1.15 Is membership of the society required to obtain the benefits offered by it?**

- ☐ Yes  
☒ No

**1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?**

The Society by virtue of its function and position within the Co-operative Group structure is run for the benefit of its members. Its members receive exclusive benefits and have a say in how The Co-operative Group as a whole is run via a network of democratically elected member representatives.

**1.17 How did members democratically control the society?**

The Society is owned by Co-operative Group Limited (the 'Group'). The Group is jointly owned by its Individual and Independent Society Members. During 2015, Individual Members of the Society exercised their democratic rights by serving as elected representatives on the Group's Member Council and by having the option to attend and vote at the Group's AGM, depending upon the amount of trade they have done with the society during the year.

**1.18 How did the society use any surplus/profit?**

If the society distributed the surplus/profit to members please explain how this was done.

The profit wasn't distributed.

Please use separate sheets of paper if you need more space (see section 5 above)

Please indicate how many separate sheets of paper you have used.

**Continue to 2.1**

**Community benefit society****1.19 Who are the community the society benefited?**

N/A

**1.20 How did the society benefit that community during the year?**

N/A

**1.21 How did the society use any surplus/profit?**

N/A

Please use separate sheets of paper if you need more space (see section 5 above).

Please indicate how many separate sheets of paper you have used.

**Continue to 2.1**



# 2 Statistics

## Account details

### 2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

|   |  |               |
|---|--|---------------|
| A   | Members at beginning of year   | 2             |
| B   | Members ceased during year   | 0             |
| C   | Members admitted during year   | 0             |
| D   | Members at end of year   | 2             |
| E   | Turnover for year  | 389,426,000   |
| F   | Total of income and expenditure (receipts and payments added together)             | 74,776,000    |
| G   | Net surplus/(deficit) for year   | 79,426,000    |
| H   | Fixed assets   | 998,527,000   |
| I   | Current assets   | 310,458,000   |
| J   | Total assets (equal to amount in row O, below)                                     | 1,308,985,000 |
| K   | Current liabilities  | 58,995,000    |
| L   | Share capital  |               |
| M   | Long-term liabilities  | 823,458,000   |
| N   | Reserves   | 426,532,000   |
| O   | Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above) | 1,308,985,000 |
| All societies (excluding clubs) must complete boxes P-T |  |               |
| P   | Investments in other registered societies  |               |
| Q   | Loans from members   |               |
| R   | Loans from Employees' Superannuation Schemes                                       | NIL           |
| S   | Dividends on sales   | NIL           |
| T   | Share interest   | NIL           |

**2.2 Names of subsidiaries as defined in sections 100 and 101 of the Co-operative and Community Benefit Societies Act 2014**

|                              |
|------------------------------|
| Newco (Crematoria) Limited   |
| Newco (Crematoria) 2 Limited |
| Newco (Crematoria) 3 Limited |
|                              |
|                              |
|                              |
|                              |
|                              |

**2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)**

The society must have written authority from us to exclude a subsidiary from group accounts

|  |
|--|
|  |
|  |
|  |
|  |
|  |
|  |
|  |
|  |

# 3

## The audit

### 3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- |   |                                  |
|---|----------------------------------|
| <input checked="" type="checkbox"/> Full professional audit | ▶ Continue to section 4          |
| <input type="checkbox"/> Accountant's report                | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> Lay audit                          | ▶ Complete questions 3.2 and 3.3 |
| <input type="checkbox"/> Unaudited                          | ▶ Complete questions 3.2 and 3.3 |

### 3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No  
☐ Yes

### 3.3 Has the membership passed at a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ No  
☐ Yes

# 4 Accounts and signature

## Accounts

### 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

22 / 06 / 2016

### 4.2 Has your society produced accounts to the minimum standard required?


☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached

☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

## Signature – all societies to complete

### 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

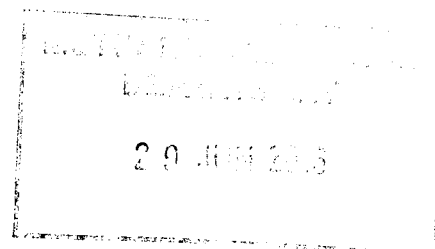
|              |   |
|--------------|---|
| Name         | Caroline Sellers  |
| Signature    |  |
| Phone number | 08437519238   |
| Email        | claire.dalton@co-operative.coop   |
| Date         | 22 June 2016  |

Funeral Services Limited

Financial statements

Registered number IP30808R

2 January 2016



## Contents

|   |   |
|---|---|
| Statement of directors' responsibilities in respect of financial statements | 1 |
| Independent auditor's report to the members of Funeral Services Limited     | 2 |
| Income Statement  | 3 |
| Statement of Comprehensive Income   | 3 |
| Balance Sheet   | 4 |
| Statement of changes in equity  | 5 |
| Statement of cash flows   | 6 |
| Notes   | 7 |

## 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.

Industrial and Provident 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 IFRSs as adopted by the EU.

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 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 IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the 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 Benefits Society 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.

KPMG LLP

1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

**Independent auditor's report to Funeral Services Limited Co-operative Society**

We have audited the financial statements of Funeral Services Limited ("the Society") for the period ended 2 January 2016 set out on pages 3 to 21. 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 Society 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 those matters we are required to state to it 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 for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As more fully explained in the Statement of Directors' Responsibilities set out on page 3, the society's directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

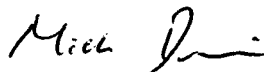
- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Society's affairs as at 2 January 2016 and of the income and expenditure of the Society for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following.

Under the Co-operative and Community Benefit Societies Act 2014 we are required 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.



Mick Davies (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square  
Manchester  
M2 3AE  
United Kingdom

27/6/2016



**Income statement**  
*for the period ended 2 January 2016*

|   | Notes | For period<br>ended 2<br>January<br>2016<br><br>£'000 | For period<br>ended 3<br>January<br>2015<br><br>£'000 |
|---|-------|---|---|
| <b>Revenue</b>                                      |       | <b>389,426</b>  | <b>350,152</b>  |
| Cost of sales                                       |       | (127,509)   | (115,328)   |
| <b>Gross profit</b>                                 |       | <b>261,917</b>  | <b>234,824</b>  |
| Administrative expenses                             |       | (187,141)   | (174,465)   |
| <b>Operating profit</b>                             |       | <b>74,776</b>   | <b>60,359</b>   |
| Profit on disposal of property, plant and equipment | 2     | 999   | 1,052   |
| <b>Profit before taxation</b>                       |       | <b>75,775</b>   | <b>61,411</b>   |
| Taxation  | 6     | 3,651   | 2,092   |
| <b>Profit for the period</b>                        |       | <b>79,426</b>   | <b>63,503</b>   |

All amounts relate to continuing activities.

**Statement of comprehensive income**  
*for the period ended 2 January 2016*

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

The notes on pages 7-21 form part of these financial statements.

**Balance Sheet**  
**at 2 January 2016**

|                                      | Notes | As at 2<br>January<br>2016<br>£'000 | As at 2<br>January<br>2016<br>£'000 | As at 3<br>January<br>2015<br>£'000 | As at 3<br>January<br>2015<br>£'000 |
|--------------------------------------|-------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Non-current assets</b>            |       |                                     |                                     |                                     |                                     |
| Property, plant and equipment        | 7     | 161,552                             |                                     | 163,210                             |                                     |
| Intangible assets                    | 8     | 45,521                              |                                     | 46,620                              |                                     |
| Investments                          | 9     | 780,485                             |                                     | 660,416                             |                                     |
| Trade and other receivables          | 11    | 10,969                              |                                     | 10,517                              |                                     |
| <b>Total non-current assets</b>      |       |                                     | <b>998,527</b>                      |                                     | <b>880,763</b>                      |
| <b>Current assets</b>                |       |                                     |                                     |                                     |                                     |
| Inventories                          | 10    | 5,562                               |                                     | 6,519                               |                                     |
| Trade and other receivables          | 11    | 70,229                              |                                     | 35,497                              |                                     |
| Cash and cash equivalents            |       | 234,667                             |                                     | 191,189                             |                                     |
| <b>Total current assets</b>          |       |                                     | <b>310,458</b>                      |                                     | <b>233,205</b>                      |
| <b>Total assets</b>                  |       |                                     | <b>1,308,985</b>                    |                                     | <b>1,113,968</b>                    |
| <b>Non-current liabilities</b>       |       |                                     |                                     |                                     |                                     |
| Trade and other payables             | 12    | (816,257)                           |                                     | (689,770)                           |                                     |
| Provisions                           | 13    | (2,212)                             |                                     | (2,080)                             |                                     |
| Deferred tax liabilities             | 14    | (4,989)                             |                                     | (8,640)                             |                                     |
| <b>Total non-current liabilities</b> |       |                                     | <b>(823,458)</b>                    |                                     | <b>(700,490)</b>                    |
| <b>Current liabilities</b>           |       |                                     |                                     |                                     |                                     |
| Trade and other payables             | 12    | (58,318)                            |                                     | (65,599)                            |                                     |
| Provisions                           | 13    | (677)                               |                                     | (773)                               |                                     |
| <b>Total current liabilities</b>     |       |                                     | <b>(58,995)</b>                     |                                     | <b>(66,372)</b>                     |
| <b>Total liabilities</b>             |       |                                     | <b>(882,453)</b>                    |                                     | <b>(766,862)</b>                    |
| <b>Net assets</b>                    |       |                                     | <b>426,532</b>                      |                                     | <b>347,106</b>                      |
| <b>Equity</b>                        |       |                                     |                                     |                                     |                                     |
| Retained earnings                    |       |                                     | 426,532                             |                                     | 347,106                             |
| <b>Total equity</b>                  |       |                                     | <b>426,532</b>                      |                                     | <b>347,106</b>                      |

The notes on pages 7-21 form part of these financial statements.

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

22 June 2016

and were

Director  
A Close



Director  
A Oldale



Secretary  
C Sellers



**Statement of changes in equity**  
*for the period ended 2 January 2016*

|                                      | Called up<br>share<br>capital<br>£'000 | Share<br>Premium<br>£'000 | Capital<br>contribution<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>equity<br>£'000 |
|--------------------------------------|--|---------------------------|---|-------------------------------|--------------------------|
| Balance at 3 January 2015            | -                                      | -                         | -   | 347,106                       | 347,106                  |
| Profit for the period                | -                                      | -                         | -   | 79,426                        | 79,426                   |
| <b>Balance at 2 January 2016</b>     | <b>-</b>                               | <b>-</b>                  | <b>-</b>                                    | <b>426,532</b>                | <b>426,532</b>           |
| Balance at 4 January 2014            | -                                      | -                         | -   | 312,686                       | 312,686                  |
| Profit for the period                | -                                      | -                         | -   | 63,503                        | 63,503                   |
| Arising from transfer of Engagements | -                                      | -                         | -   | (29,083)                      | (29,083)                 |
| <b>Balance at 3 January 2015</b>     | <b>-</b>                               | <b>-</b>                  | <b>-</b>                                    | <b>347,106</b>                | <b>347,106</b>           |

All items are shown net of tax.  
The notes on pages 7-21 form part of these financial statements.

**Statement of cash flows**  
**for the period ended 2 January 2016**

|   | Notes | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---|-------|---|---|
| <b>Profit Before Taxation</b>                                 |       | <b>75,775</b>                                     | <b>61,411</b>                                     |
| Adjustments for non-cash items and changes in working capital |       | (17,015)  | (97,267)  |
| <b>Cash flows from operating activities</b>                   | 16    | <b>58,760</b>                                     | <b>(35,856)</b>                                   |
| <b>Net cash from operating activities</b>                     |       | <b>58,760</b>                                     | <b>(35,856)</b>                                   |
| <b>Cash flows from investing activities</b>                   |       |   |   |
| Acquisition of property, plant and equipment                  | 7     | (16,588)  | (15,581)  |
| Proceeds from sale of property, plant and equipment           |       | 1,314   | 1,675   |
| Acquisition of intangible assets                              | 8     | (8)   | (2,366)   |
| Acquired Cash on acquisition                                  |       | -   | 2,781   |
| <b>Net cash from investing activities</b>                     |       | <b>(15,282)</b>                                   | <b>(13,491)</b>                                   |
| <b>Net cash from financing activities</b>                     |       | <b>-</b>  | <b>-</b>  |
| <b>Net increase in cash and cash equivalents</b>              |       | <b>43,478</b>                                     | <b>(49,347)</b>                                   |
| Cash and cash equivalents at 3 January 2015                   |       | 191,189   | 240,536   |
| <b>Cash and cash equivalents at 2 January 2016</b>            |       | <b>234,667</b>                                    | <b>191,189</b>                                    |

The notes on pages 7-21 form part of these financial statements

**Notes**  
**(forming part of the financial statements)**

**1 Accounting policies**

**Reporting entity**

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

**Basis of preparation**

The Society financial statements have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and applicable International Financial Reporting Standards as endorsed by the EU (IFRS) for the period ended 2 January 2016 and are prepared on the historical cost basis. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

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

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

**Accounting date**

The financial statements for the period are prepared for the 52 weeks to 2 January 2016. The corresponding figures for the previous period are prepared for the 52 weeks to 3 January 2015.

**Going concern**

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

The Directors of the Society have prepared sensitised cash flow forecasts 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 Co-operative Group Limited ("the Group").

**Standards and interpretations issued but not yet effective**

The Society has not early adopted the following standards and statements. The adoption of these standards is not expected to have a material impact on the Company's/Society's accounts when adopted:

- Clarification of Acceptable Methods of Depreciation and Amortisation and Amendments bringing bearer plants into the scope of IAS 16 (Amendments to IAS 16 and IAS 38);
- Annual Improvements to IFRSs 2012 -2014 Cycle – various standards;
- Disclosure Initiative (Amendments to IAS 1).

The adoption of the following standards may have a material impact on the Society's accounts when adopted:

- IFRS 9 (Financial Instruments: Classification and Measurement (2013))\*

This new standard, issued in July 2014 replaces IAS 39 (Financial Instruments: Recognition and Measurement (2009)). IFRS 9 Financial Instruments includes requirements for the recognition and measurement, de-recognition and hedge accounting for financial instruments. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The standard will be effective for annual periods beginning on or after 1 January 2018. Management are assessing the impact of this standard on its financial statements.

- IFRS 15 Revenue from Contracts with Customers\*

This new standard, issued in July 2014 replaces a number of standards and interpretations, including IAS 11, 18 and IFRIC 13, 15 and 18. It will be effective for annual periods beginning on or after 1 January 2018. As the Company's/Society's operations are mainly in retail and not in long term contracts, the effects of this standard will be minimal, except with regards to member payments. As a member will usually expect a discount in the form of a dividend on the point of sale, the Company/Society will need to recognise a liability at the point of sale rather than when the dividend is approved at the Annual General Meeting. In addition, the amount recognised as a liability will be presented as a reduction in revenue rather than as a charge to the Income Statement after operating profit. As the Company/Society is still developing its future dividend strategy, the numerical impact of these changes is uncertain.

- IFRS 16 Leases\*

IFRS 16 fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. It will be effective for annual periods beginning on or after 1 January 2019. As the Company/Society has material operating lease obligations the introduction of the new standard will have a material impact upon both assets and liabilities on the balance sheet and the rental charge recorded in the income statement. Management are assessing the impact of this standard on its financial statements.

\*Not yet endorsed by the European Union.

**Notes (continued)**

**1 Accounting policies (continued)**

**Cash and cash equivalents**

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

**Cash flow statement**

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

**Property, plant and equipment and depreciation**

**(i) Owned assets**

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

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

|                       |                         |
|-----------------------|-------------------------|
| Freehold buildings    | - 2.0% per annum        |
| Hardware & Software   | - 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.

**(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 subsidiaries, associates, and joint ventures. In respect of business acquisitions that have occurred since 11 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

**Impairment**

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

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. Reversal of impairment losses are recognised in the income statement in the same category as the original impairment charge.

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

**(ii) 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.

**Notes (continued)**

**1 Accounting policies (continued)**

**Prepaid funeral plans (plans)**

Prepaid funeral plans are accounted for in accordance with IAS 18. A small proportion of revenue is recognised on the sale of each plan, equivalent to the upfront marketing and administration costs incurred in the initial sale. The proportion of the plan value that is recognised varies depending on the sales channel, reflecting different underlying costs of the different channels. The remaining revenue is recognised when the funeral is delivered.

At the point of sale both the initial plan investment and the liability for the funeral delivery are recorded at the plan value less the revenue recognised on sale. On future measurement, the plan investment is recorded at fair value as it is designated as available for sale. A liability adequacy test is performed by a qualified Actuary every three years on the funeral plan liability to ensure it at least reflects the anticipated cost of delivering the funeral in the future. In between actuarial valuations, the underlying assumptions of investment growth and cost inflation are reviewed by management to ensure the plan liability continues to at least reflect the anticipated cost of delivering the funeral in the future.

**Funeral benefit options (FBOs)**

FBOs are attached to Guaranteed Over 50's life insurance plans (GOFs) sold by the Group's 3rd party insurance partners. An FBO is the assignment of the sum assured proceeds of a GOF policy to Funeralcare 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 Funeralcare are 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.

**Pensions and other post-retirement benefits**

The Society's employees were members of a 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 5.

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.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

**Interest-bearing borrowings**

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

**Operating segments**

The 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.

**Taxation**

**(i) Income tax**

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

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

**(ii) Deferred taxation**

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

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

**Revenue**

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

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

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

Funeral Plan revenue is recognised net of value added tax on lump sum plans, and on point of redemption on funeral benefit option plans.

**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.

Notes (continued)

2 Profit before taxation

|   | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---|---|---|
| <i>Profit before taxation is stated after charging / (crediting):</i> |   |   |
| Depreciation  | 17,986  | 19,620  |
| Gain on sale of property, plant and equipment                         | (999)   | (1,052)   |
| Operating lease rental charges  | 6,741   | 6,179   |
| Staff costs (see note 3)  | 105,847   | 97,124  |

The auditor's remuneration of £42,000 (period ended January 3 2015: £35,000) is borne by the ultimate parent undertaking. The Company is exempt by virtue of s494 of the Companies Act 2006 from further disclosures in relation to auditors' remuneration as it is a wholly owned subsidiary of the Co-operative Group Limited for which consolidated financial statements are prepared disclosing non-audit fee information on a group wide basis.

3 Staff numbers and costs

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

|           | Number of employees                      | Number of employees                      |
|-----------|--|--|
|           | For period<br>ended 3<br>January<br>2015 | For period<br>ended 3<br>January<br>2015 |
| Full-time | 2,386                                    | 2,180                                    |
| Part-time | 1,819                                    | 1,805                                    |
|           | <u>4,205</u>                             | <u>3,985</u>                             |

The aggregate payroll costs of these persons were as follows:

|                                  | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|----------------------------------|---|---|
| Wages and salaries               | 90,929  | 82,555  |
| Social security costs            | 6,748   | 6,335   |
| Other pension costs (see note 5) | 8,170   | 8,234   |
|                                  | <u>105,847</u>                                    | <u>97,124</u>                                     |



Notes (continued)

#### 4 Directors' remuneration

|   | For period<br>ended 2<br>January<br>2016<br>£'000             | For period<br>ended 3<br>January<br>2015<br>£'000             |
|---|---|---|
| Directors' emoluments                                     | 296   | 831   |
| Society pension contributions to personal pension schemes | 54  | 115   |
|   | <u>350</u>  | <u>946</u>  |
| <b>Highest paid</b>                                       | <b>For period<br/>ended 2<br/>January<br/>2016<br/>£'000</b>  | <b>For period<br/>ended 3<br/>January<br/>2015<br/>£'000</b>  |
| Emoluments  | <u>201</u>  | <u>498</u>  |
|   | <b>For period<br/>ended 2<br/>January<br/>2016<br/>Number</b> | <b>For period<br/>ended 3<br/>January<br/>2015<br/>Number</b> |
| Number of directors for whom benefits are accruing        | <u>2</u>  | <u>3</u>  |

#### 5 Pension Scheme

##### The Co-operative Group Pension Scheme (PACE)

The Society is a wholly owned subsidiary of Co-operative Group Ltd which operated a defined benefit scheme (the Pace Complete scheme) up until the end of October 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 the Co-operative Group Limited (the sponsoring employer). Following the recapitalisation of Co-operative Bank plc in December 2013, the various entities participating in the Pace plan are no longer under common control of the Co-operative Group and as a result, the Pace scheme became a multi employer scheme. Full details of the Pace plan for the period ending 2 January 2016 are disclosed in the Co-operative Group's consolidated financial statements for that period.

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 £8,170,000 (2015: £8,234,000). 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 / Company have been charged to the income statement when incurred.

Notes (continued)

6 Taxation

|   | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---|---|---|---|---|
| <i>Analysis of credit in period</i>                       |   |   |   |   |
| <i>UK corporation tax</i>                                 |   |   |   |   |
| Current tax on income for the period                      | -   | -   | -   | -   |
| <b>Total current tax</b>                                  |   |   |   |   |
| <i>Deferred tax (see note 14)</i>                         |   |   |   |   |
| Deferred tax - current period items                       |   | 2,024   |   | 2,082   |
| Deferred tax - adjustments in respect of previous periods |   | 1,084   |   | 10  |
| Effect of rate change on closing balance                  |   | 543   |   | -   |
| <b>Tax on profit on ordinary activities</b>               |   | <b>3,651</b>                                      |   | <b>2,092</b>                                      |

*Factors affecting the tax credit for the current period.*

The current tax credit for the period is higher (3 January 2015: higher) than the standard rate of corporation tax in the UK of 20.25% (2015: 21.5%). The differences are explained below:

|   | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---|---|---|
| <i>Current tax reconciliation</i>                             |   |   |
| Profit before tax   | 75,775  | 61,411  |
| Current tax charge at 20.25% (2015: 21.5%)                    | (15,342)  | (13,199)  |
| <i>Effects of:</i>  |   |   |
| Expenses not deductible for tax (including                    | (46)  | (19)  |
| Depreciation and amortisation in excess of capital allowances | (1,178)   | (1,481)   |
| Profit on disposal of fixed assets                            | 32  | (13)  |
| Restatement of deferred tax to 18% (2015: 20%)                | 518   | (155)   |
| Adjustments to tax charge in respect of previous periods      | 1,084   | 10  |
| Group relief not paid for                                     | 18,583  | 16,949  |
| <b>Total income tax credit (see above)</b>                    | <b>3,651</b>                                      | <b>2,092</b>                                      |

*Factors affecting the tax charge in future periods*

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax liability at 2 January 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability.

Notes (continued)

7 Property, plant and equipment

For the year ended 2 January 2016

|  | Freehold land and<br>buildings | Plant and<br>machinery | Fixtures and fittings | Motor vehicles | Assets under<br>construction | Total          |
|--|--------------------------------|------------------------|-----------------------|----------------|------------------------------|----------------|
|  | £'000                          | £'000                  | £'000                 | £'000          | £'000                        | £'000          |
| <b>Cost</b>                              |                                |                        |                       |                |                              |                |
| At 3 January 2015                        | 131,132                        | 744                    | 88,940                | 65,336         | 2,445                        | 288,597        |
| Additions                                | 3,720                          | 1                      | 2,257                 | 8,713          | 1,897                        | 16,588         |
| Disposals                                | (40)                           | -                      | (80)                  | (3,773)        | -                            | (3,893)        |
| Transfers from assets under construction | 53                             | -                      | 151                   | 312            | (516)                        | -              |
| Intra-group statutory transfer           | -                              | -                      | -                     | 60             | -                            | 60             |
| Fully written down assets                | (1,586)                        | (513)                  | (25,938)              | (6,172)        | -                            | (34,209)       |
| <b>At 2 January 2016</b>                 | <b>133,279</b>                 | <b>232</b>             | <b>65,330</b>         | <b>64,476</b>  | <b>3,826</b>                 | <b>267,143</b> |
| <b>Depreciation</b>                      |                                |                        |                       |                |                              |                |
| At 3 January 2015                        | 36,159                         | 654                    | 51,650                | 36,924         | -                            | 125,387        |
| Charge for the period                    | 2,200                          | 26                     | 9,001                 | 6,759          | -                            | 17,986         |
| Disposals                                | -                              | -                      | (13)                  | (3,565)        | -                            | (3,578)        |
| Intra-group statutory transfer           | -                              | -                      | -                     | 5              | -                            | 5              |
| Fully written down assets                | (1,586)                        | (513)                  | (25,938)              | (6,172)        | -                            | (34,209)       |
| <b>At 2 January 2016</b>                 | <b>36,773</b>                  | <b>167</b>             | <b>34,700</b>         | <b>33,951</b>  | <b>-</b>                     | <b>105,591</b> |
| <b>Net book value</b>                    |                                |                        |                       |                |                              |                |
| At 2 January 2016                        | <b>96,506</b>                  | <b>65</b>              | <b>30,630</b>         | <b>30,525</b>  | <b>3,826</b>                 | <b>161,552</b> |
| At 3 January 2015                        | 94,973                         | 90                     | 37,290                | 28,412         | 2,445                        | 163,210        |

In previous years, fully depreciated assets have been retained in the Society's fixed asset register and included in the table above. In order to provide greater understanding of the Society's annual depreciation charge in the current year, these assets have been removed from both cost and accumulated depreciation

Assets with a book value of £315,000 were disposed of during the period. The profit on disposal of £999,000 arising from the sale of these assets has been recognised within operating profit.

For the year ended 3 January 2015

|  | Freehold land and<br>buildings | Plant and<br>machinery | Fixtures and fittings | Motor vehicles | Assets under<br>construction | Total          |
|--|--------------------------------|------------------------|-----------------------|----------------|------------------------------|----------------|
|  | £'000                          | £'000                  | £'000                 | £'000          | £'000                        | £'000          |
| <b>Cost</b>                              |                                |                        |                       |                |                              |                |
| At 4 January 2014                        | 128,840                        | 741                    | 79,246                | 63,904         | 6,914                        | 279,645        |
| Additions                                | 2,066                          | 3                      | 7,571                 | 6,154          | (213)                        | 15,581         |
| Disposals                                | (161)                          | -                      | (31)                  | (5,164)        | -                            | (5,356)        |
| Transfers from assets under construction | 183                            | -                      | 152                   | 282            | (4,256)                      | (3,639)        |
| Intra-group statutory transfer           | 204                            | -                      | -                     | 160            | -                            | 364            |
| Intra-group statutory transfer:CLP       | -                              | -                      | 2,002                 | -              | -                            | 2,002          |
| <b>At 3 January 2015</b>                 | <b>131,132</b>                 | <b>744</b>             | <b>88,940</b>         | <b>65,336</b>  | <b>2,445</b>                 | <b>288,597</b> |
| <b>Depreciation</b>                      |                                |                        |                       |                |                              |                |
| At 4 January 2014                        | 34,010                         | 627                    | 40,650                | 33,667         | -                            | 108,954        |
| Charge for the period                    | 2,144                          | 27                     | 9,526                 | 7,923          | -                            | 19,620         |
| Disposals                                | (50)                           | -                      | (18)                  | (4,665)        | -                            | (4,733)        |
| Intra-group statutory transfer           | 55                             | -                      | -                     | (1)            | -                            | 54             |
| Intra-group statutory transfer:CLP       | -                              | -                      | 1,492                 | -              | -                            | 1,492          |
| <b>At 3 January 2015</b>                 | <b>36,159</b>                  | <b>654</b>             | <b>51,650</b>         | <b>36,924</b>  | <b>-</b>                     | <b>125,387</b> |
| <b>Net book value</b>                    |                                |                        |                       |                |                              |                |
| At 3 January 2015                        | <b>94,973</b>                  | <b>90</b>              | <b>37,290</b>         | <b>28,412</b>  | <b>2,445</b>                 | <b>163,210</b> |
| At 4 January 2014                        | 94,830                         | 114                    | 38,596                | 30,237         | 6,914                        | 170,691        |

Notes (continued)

8 Intangible Assets

For the year ended 2 January 2016

|                          | Goodwill      | Website      | Total         |
|--------------------------|---------------|--------------|---------------|
|                          |               |              | £'000         |
| <b>Cost</b>              |               |              |               |
| At 3 January 2015        | 42,335        | 6,005        | 48,340        |
| Additions                | -             | 8            | 8             |
| <b>At 2 January 2016</b> | <b>42,335</b> | <b>6,013</b> | <b>48,348</b> |
| <b>Amortisation</b>      |               |              |               |
| At 3 January 2015        | 819           | 901          | 1,720         |
| Charge for the period    | -             | 1,107        | 1,107         |
| <b>At 2 January 2016</b> | <b>819</b>    | <b>2,008</b> | <b>2,827</b>  |
| <b>Net book value</b>    |               |              |               |
| At 2 January 2016        | <b>41,516</b> | <b>4,005</b> | <b>45,521</b> |
| At 3 January 2015        | <b>41,516</b> | <b>5,104</b> | <b>46,620</b> |

For the year ended 3 January 2015

|  | Goodwill      | Website      | Total         |
|--|---------------|--------------|---------------|
|  |               |              | £'000         |
| <b>Cost</b>                              |               |              |               |
| At 4 January 2014                        | 42,335        | -            | 42,335        |
| Acquisitions in period                   | -             | -            | -             |
| Additions                                | -             | 2,366        | 2,366         |
| Transfers from assets under construction | -             | 3,639        | 3,639         |
| <b>At 3 January 2015</b>                 | <b>42,335</b> | <b>6,005</b> | <b>48,340</b> |
| <b>Amortisation</b>                      |               |              |               |
| At 4 January 2014                        | 819           | -            | 819           |
| Charge for the period                    | -             | -            | -             |
| Impairment charge                        | -             | -            | -             |
| Amortisation                             | -             | 901          | 901           |
| <b>At 3 January 2015</b>                 | <b>819</b>    | <b>901</b>   | <b>1,720</b>  |
| <b>Net book value</b>                    |               |              |               |
| At 3 January 2015                        | <b>41,516</b> | <b>5,104</b> | <b>46,620</b> |
| At 4 January 2014                        | <b>41,516</b> | <b>-</b>     | <b>41,516</b> |

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 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. 2016-2018 forecasts are based on the board approved three year plan with cash flows beyond this period are extrapolated at the 2018 cash flows to reflect the risk of declining death rate in the United Kingdom offset by improved cost management in the business. Expected capital spend for refurbishments is also included assuming an 8 year refit cycle costing £25,000 per branch. 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 8%. 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 £201.3m.

Notes (continued)

9 Investments

Funeral Plan Investments

|   | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---|---|---|
| At beginning of year                          | 660,416   | 1,413   |
| New funeral Plan additions                    | 114,483   | 62,147  |
| Existing funeral Plans redeemed and cancelled | (59,535)  | (26,670)  |
| Transfer of engagements                       | -   | 622,475   |
| Interest and Bonus applied                    | 65,121  | 1,061   |
| <b>At end of year</b>                         | <b>780,485</b>                                    | <b>660,416</b>                                    |

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 a triennial valuation. The most recent valuation was performed in September 2015 and reported headroom of £36,802,000.

In the prior year as part of the transfer of engagements of Co-operative Life Planning Limited such funeral plan investments of £622,475,000 were transferred to the society.

10 Inventories

|                               | For period<br>ended 3<br>January<br>2015<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|-------------------------------|---|---|
| Raw materials and consumables | 182   | 162   |
| Work in progress              | 170   | 164   |
| Finished goods                | 5,210   | 6,193   |
|                               | <b>5,562</b>                                      | <b>6,519</b>                                      |

11 Trade and other receivables

|                                       | For period<br>ended 3<br>January<br>2015<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|---------------------------------------|---|---|
| <b>Non-current assets:</b>            |   |   |
| Funeral benefit option deferred costs | 10,969  | 10,517  |
|                                       | <b>10,969</b>                                     | <b>10,517</b>                                     |
| <b>Current assets:</b>                |   |   |
| Transfer of engagements               | -   | 27,648  |
| Trade and other receivables           | 38,111  | 5,951   |
| Amounts owed by group undertakings    | 30,035  | -   |
| Prepayments and accrued income        | 2,083   | 1,898   |
|                                       | <b>70,229</b>                                     | <b>35,497</b>                                     |

All of the above financial assets are classified as loans and receivables. Trade receivables are stated net of a bad debt provision of £3,073,665 (period ended 3 January 2015: £3,368,078). The provision is calculated based on a detailed customer-by-customer review of potential risk of default. Adjustment to the level of provision is recognised within the income statement in operating profit.

Trade debtors include amounts totalling £11,216,000 (period ended 3 January 2015: £11,337,000), which are overdue. The bad debt provision covers any impairment of these balances which are as follows:

|                         | For period<br>ended 3<br>January<br>2015<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|-------------------------|---|---|
| <b>Amounts overdue:</b> |   |   |
| Less than 3 months      | 3,009   | 3,197   |
| 3 to 6 months           | 3,364   | 2,930   |
| More than 6 months      | 4,843   | 5,210   |
|                         | <b>11,216</b>                                     | <b>11,337</b>                                     |

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

Notes (continued)

12 Trade and other payables

|  | For period<br>ended 3<br>January<br>2015<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|--|---|---|
| <i>Non-current liabilities:</i>  |   |   |
| Funeral Plans  | 789,247   | 1,322   |
| Accruals and deferred income   | 27,010  | 14,481  |
| Transfer of engagements  | -   | 673,967   |
|  | <u>816,257</u>                                    | <u>689,770</u>                                    |
| <i>Expected obligations of funeral plan redemptions fall due as follows:</i> |   |   |
| Between two and five years inclusive   | 257,624   | 217,669   |
| Over five years  | 558,633   | 472,101   |
|  | <u>816,257</u>                                    | <u>689,770</u>                                    |
| <i>Current liabilities:</i>  |   |   |
| Transfer of engagements  | -   | 6,501   |
| Funeral Plans  | 16,107  | 6,999   |
| Trade creditors  | 33,555  | 20,808  |
| Amounts owed to group undertakings   | -   | 12,841  |
| Other creditors including taxation and social                                | (708)   | (391)   |
| Accruals and deferred income   | 9,364   | 18,841  |
|  | <u>58,318</u>                                     | <u>65,599</u>                                     |

13 Provisions

|   | Cancellation       | PSW Refund         | Deferred<br>Consideration | Dilapidations      | For period<br>ended 2<br>January<br>2016<br>Total<br>£'000 | For period<br>ended 3<br>January<br>2015<br>Total<br>£'000 |
|---|--------------------|--------------------|---------------------------|--------------------|--|--|
|   | Provision<br>£'000 | Provision<br>£'000 | Provision<br>£'000        | Provision<br>£'000 |  |  |
| At the beginning of the period            | 1,751              | 295                | 89                        | 718                | 2,853  | 634  |
| Transfer of engagements                   | -                  | -                  | -                         | -                  | -  | 2,029  |
| Additional provisions made in the period  | 132                | -                  | -                         | -                  | 132  | 651  |
| Amounts used during the period            | -                  | -                  | -                         | (96)               | (96)   | (22)   |
| Unused amounts reversed during the period | -                  | -                  | -                         | -                  | -  | (439)  |
| <b>At the end of the period</b>           | <u>1,883</u>       | <u>295</u>         | <u>89</u>                 | <u>622</u>         | <u>2,889</u>   | <u>2,853</u>   |
| Non-current                               |                    |                    |                           |                    | 2212   | 2080   |
| Current                                   |                    |                    |                           |                    | 677  | 773  |
|   |                    |                    |                           |                    | <u>2,889</u>   | <u>2,853</u>   |

The Society makes a cancellation provision at the point of sale for Lump Sum and Fixed Monthly Payment products in the funeral planning product portfolio. If customers cancel a policy this provision is released to offset the revenue reversed in the month that the cancellation occurs as there is an obligation to refund all monies originally paid less an administration fee.

The PSW refund provision was created in 2009 following the merger of the parent Society (Co-operative Group Limited) with the Plymouth & South West Co-operative Society. The provision represents an obligation by the former Plymouth & South West Co-operative Society to refund £150 to the estate of any client who had purchased a funeral prepayment plan. The timing of the refunds is uncertain and based on current evidence has been assumed at £1,000 per annum (period ended 1 January 2011: £6,000). An Additional £2,029,000 has been transferred into provisions due to the transfer on engagements of the Co-operative Life Planning business on the 6th April 2014.

The dilapidation provision was created in the period ended 2 January 2010 as a result of the closure of several trading sites where significant remedial repair work was identified and decreased in the year after a review of the estate.

Notes (continued)

14 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a blended effective tax rate of 18% (2015: 20%).

|  |         |
|--|---------|
|  | £'000   |
| <i>Deferred taxation liability</i>                 |         |
| At 3 January 2015                                  | (8,640) |
| Income statement credit in the period              | 3,651   |
| At 3 January 2015                                  | (4,989) |
| Comprising:  |         |
| Short term timing differences                      | 328     |
| Accelerated tax depreciation                       | (47)    |
| Timing differences arising on future capital gains | (5,270) |
| At 2 January 2016                                  | (4,989) |

15 Called up share capital

|   | For period<br>ended 2<br>January<br>2016<br>£ | For period<br>ended 3<br>January<br>2015<br>£ |
|---|---|---|
| <i>Authorised</i>                         |   |   |
| 1,000 Ordinary shares of £1 each          | 1,000   | 1,000   |
| <i>Allotted, called up and fully paid</i> |   |   |
| 2 Ordinary shares of £1 each              | 2   | 2   |

During the period ended 1 January 2011 one ordinary share of nominal value £1 was issued. This was due to an internal reorganisation within Co-operative Group which resulted in Funeral Services Limited being jointly owned by Co-operative Specialist Businesses Holdings Limited and Co-operative Group Funeral Holdings Limited.

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

16 Cash flows from operating activities

|  | For period<br>ended 2<br>January<br>2016<br>£'000 | For period<br>ended 3<br>January<br>2015<br>£'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>                              |   |   |
| Operating Profit   | 75,775  | 61,411  |
| <i>Adjustments for:</i>  |   |   |
| Depreciation   | 17,986  | 19,620  |
| Amortisation   | 1,107   | -   |
| Write down on intangible assets  | -   | 901   |
| (Profit) on disposal of property, plant and equipment                    | (999)   | (1,052)   |
| <b>Operating profit before changes in working capital and provisions</b> | <b>93,869</b>                                     | <b>80,880</b>                                     |
| (Increase) in inventories  | 957   | (844)   |
| (Increase) in trade and other receivables                                | (35,184)  | 2,761   |
| Increase/(decrease) in trade and other payables                          | 119,150   | (82,316)  |
| (Decrease)/increase in provisions and employee benefits                  | 37  | 191   |
| Increase in funeral plan investments                                     | (120,069)   | (36,528)  |
| <b>Cash generated from the operations</b>                                | <b>58,760</b>                                     | <b>(35,856)</b>                                   |

Notes (continued)

17 Commitments and contingent liabilities

(i) Capital expenditure committed by the Society at period end was £2,986,149 (period ended 3 January 2015: £5,454,380)

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

|  | For period<br>ended 2<br>January<br>2016 | For period<br>ended 3<br>January<br>2015 |
|--|--|--|
| Land and buildings<br>£'000            |  | Land and<br>buildings<br>£'000           |
| Within one year                        | 6,340                                    | 5,658                                    |
| In the second to fifth years inclusive | 14,792                                   | 13,083                                   |
| Over five years                        | 38,907                                   | 40,119                                   |
|  | <u>60,039</u>                            | <u>58,860</u>                            |

(iii) In accordance with Schedule 1 Part 1 of the Co-operative Group Limited £900,000,000 facilities agreement dated 26<sup>th</sup> July 2012 and as amended and restated on 11<sup>th</sup> December 2013, Funeral Services Limited has been identified as a guarantor under this facility. The term loan element of this facility was fully repaid in 2014, there remains a Revolving Credit Facility of £411,000,000 at 2<sup>nd</sup> January 2016. This facility was undrawn as at 2<sup>nd</sup> January 2016

18 Group Entities

Ultimate parent company

The Society is a wholly owned subsidiary of Co-operative Group Limited (formerly Co-operative Group (CWS) Limited), an Industrial and Provident 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 4AG.

19 Related parties

Other related party transactions

Transactions with other Trading Group subsidiaries

| Company                      | For period ended 2 January<br>2016 |             |                             | For period ended 3 January<br>2015 |             |                             |
|------------------------------|------------------------------------|-------------|-----------------------------|------------------------------------|-------------|-----------------------------|
|                              | Purchases £'000                    | Sales £'000 | Period-end balance<br>£'000 | Purchases £'000                    | Sales £'000 | Period-end<br>balance £'000 |
| Co-operative Estores Limited | 55                                 | -           | -                           | 38                                 | -           | -                           |

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.

20 Accounting estimates and judgements

Critical accounting judgements in applying the Group's accounting policies

Goodwill

For the purposes of impairment testing of goodwill, the Society has several cash-generating units. Components of goodwill range from individual cash generating units, where branches were acquired individually, to groups of cash generating units, where groups of branches were acquired as part of one transaction. Impairment testing is carried out at the level at which management monitor these components of goodwill. Discount rates are based on the parent Society cost of capital which is 8% (period ended 3 January 2015: 9.3%). There was no impairment charge in the current period (period ended 3 January 2015: £nil) following a review of the recoverable amount based on discounted future cash flows expected to be generated from the branch.



Notes (continued)

21 Financial instruments and financial risk management

(a) Financial risk management

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

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

(b) Determination of fair values of financial instruments

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

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

Funeral Plan liability

The fair value of the Plan liability 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.

(c) Fair values

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

|                                    | Carrying amount                          | Fair Value                               | Carrying amount                          | Fair Value                               |
|------------------------------------|--|--|--|--|
|                                    | For period ended 2 January 2016<br>£'000 | For period ended 2 January 2016<br>£'000 | For period ended 3 January 2015<br>£'000 | For period ended 3 January 2015<br>£'000 |
| Investments                        | 780,485                                  | 780,485                                  | 660,416                                  | 660,416                                  |
| Trade and other receivables        | 81,198                                   | 81,198                                   | 46,014                                   | 46,014                                   |
| Cash and cash equivalents          | 234,667                                  | 234,667                                  | 191,189                                  | 191,189                                  |
| <b>Total financial assets</b>      | <b>1,096,350</b>                         | <b>1,096,350</b>                         | <b>897,619</b>                           | <b>897,619</b>                           |
| Trade and other payables           | 69,221                                   | 69,221                                   | 73,081                                   | 73,081                                   |
| Funeral Plans                      | 805,354                                  | 805,354                                  | 682,288                                  | 682,288                                  |
| Provisions                         | 2,889                                    | 2,889                                    | 2,853                                    | 2,853                                    |
| <b>Total financial liabilities</b> | <b>877,464</b>                           | <b>877,464</b>                           | <b>758,222</b>                           | <b>758,222</b>                           |

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

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's receivables from customers.

|  | For period ended 2 January 2016       |  |  | For period ended 3 January 2015       |  |  |
|--|---------------------------------------|--|--|---------------------------------------|--|--|
|  | Quoted market prices in active market | Valuation techniques using observable inputs | Valuation techniques using unobservable inputs | Quoted market prices in active market | Valuation techniques using observable inputs | Valuation techniques using unobservable inputs |
|  | Level 1<br>£m                         | Level 2<br>£m                                | Level 3<br>£m                                  | Level 1<br>£m                         | Level 2<br>£m                                | Level 3<br>£m                                  |
| <b>Non financial assets held at fair value</b> |                                       |  |  |                                       |  |  |
| Property, plant and equipment                  | -                                     | -  | -  | -                                     | -  | -  |
| Investments                                    | -                                     | -  | 780,485  | -                                     | -  | 660,416  |

Fair value hierarchy

The table above analyses financial assets and liabilities measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Investments

At the point of sale, both the initial plan investment and the liability for the funeral delivery are recorded at the plan value less the revenue recognised on sale. The plan investment is a financial asset, which is recorded at fair value each period through the profit and loss account.

Investments are held in insurance policies or cash based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The fair value is determined by reference to investment statements where appropriate. For movements in investments between 3rd January 2015 and 2nd January 2016 see Note 9

Notes (continued)

21 Financial instruments and financial risk management (continued)

Trade Receivables

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

Geographically, there is no concentration of credit risk.

Credit risk is managed as follows:

- aged analysis is performed on trade receivable balances and reviewed on a monthly basis;
- credit ratings are obtained on any new customers and the credit ratings of existing customers are monitored on an on-going basis;
- deposit or full prepayment is taken in advance of service.
- trigger points and escalation procedures are clearly defined.

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the balance sheet date was £38,111,000 (period ended 3 January 2015: £29,361,000).

Credit quality of financial assets and impairment losses

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

|                       | Gross                           | Impairment                      | Net                             | Gross                           | Impairment                      | Net                             |
|-----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                       | For period ended 2 January 2016 | For period ended 2 January 2016 | For period ended 2 January 2016 | For period ended 3 January 2015 | For period ended 3 January 2015 | For period ended 3 January 2015 |
|                       | £'000                           | £'000                           | £'000                           | £'000                           | £'000                           | £'000                           |
| Not past due          | 26,894                          | -                               | 26,894                          | 21,392                          | -                               | 21,392                          |
| Past due 0-90 days    | 3,009                           | -                               | 3,009                           | 3,197                           | -                               | 3,197                           |
| Past due 91-180 days  | 3,364                           | -                               | 3,364                           | 2,930                           | -                               | 2,930                           |
| Past due 181-360 days | 2,825                           | (1,071)                         | 1,754                           | 1,717                           | (219)                           | 1,498                           |
| More than 360 days    | 5,092                           | (2,002)                         | 3,090                           | 3,493                           | (3,149)                         | 344                             |
|                       | <u>41,184</u>                   | <u>(3,073)</u>                  | <u>38,111</u>                   | <u>32,729</u>                   | <u>(3,368)</u>                  | <u>29,361</u>                   |

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

(d) Liquidity risk

Financial risk management

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due.

The society has a non-interest bearing payable balance with its ultimate parent society. This does not carry any liquidity risk as the society has continued support of its parent Society to ensure repayments are managed appropriately.

The policy on overall liquidity is to ensure that the Society has sufficient funds to facilitate all on-going operations. As part of the annual budgeting and long term planning process, the Society'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 2016 amounted to £234.7m (period ended 3 January 2015: £191.2m).

Notes (continued)

21 Financial instruments and financial risk management (continued)

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

|   | For period ended 2 January 2016 |                                    |                            |                          |                          |                             |
|---|---------------------------------|------------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------|
|   | Carrying amount<br>£'000        | Contractual cash<br>flows<br>£'000 | 1 year<br>or less<br>£'000 | 1 to<br><2years<br>£'000 | 2 to<br><5years<br>£'000 | 5years<br>and over<br>£'000 |
| <b>Non-derivative financial liabilities</b> |                                 |                                    |                            |                          |                          |                             |
| Trade and other payables                    | 69,221                          | 69,221                             | 42,211                     | 8,065                    | 9,340                    | 9,605                       |
|   |                                 |                                    |                            |                          |                          |                             |
|   | For period ended 3 January 2015 |                                    |                            |                          |                          |                             |
|   | Carrying amount<br>£'000        | Contractual cash<br>flows<br>£'000 | 1 year<br>or less<br>£'000 | 1 to<br><2years<br>£'000 | 2 to<br><5years<br>£'000 | 5years<br>and over<br>£'000 |
| <b>Non-derivative financial liabilities</b> |                                 |                                    |                            |                          |                          |                             |
| Trade and other payables                    | 73,081                          | 73,081                             | 58,600                     | 3,000                    | 9,000                    | 2,481                       |

(e) Market Risk  
Financial risk management

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

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

(i) Currency risk

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

22 Capital Management

The Society'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 Society sets the amount of capital in proportion to the risk. The Society 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 Society adjusts the amount of dividends paid to shareholders or sells assets to raise funds. The Society believes it is meeting its objectives for managing capital as funds are available for reinvestment where necessary.

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