

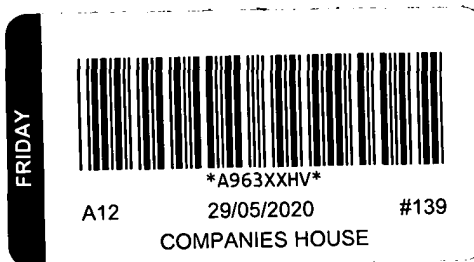
**The Avalon Trustee Company  
Limited**

Annual Report and Financial Statements

Year Ended

30 June 2019

Company Number 02836336



# The Avalon Trustee Company Limited

## Company Information

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<b>Directors</b>	J P Gardner C M Porter S J Stevenson S Townsley
<b>Company secretary</b>	B Evans
<b>Registered number</b>	02836336
<b>Registered office</b>	Unit A2 Brooke Court Handforth Dean Wilmslow Cheshire SK9 3ND
<b>Auditor</b>	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
<b>Bankers</b>	Barclays Bank Plc 54 Lombard Street London EC3P 3AH  Lloyds TSB Plc 25 Gresham Street London EC2V 7HN

# **The Avalon Trustee Company Limited**

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# The Avalon Trustee Company Limited

## Strategic Report For the Year Ended 30 June 2019

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The directors present the strategic report together with the audited financial statements for the year ended 30 June 2019.

### Principal activities

The principal activities of the company continue to be those of marketing of pre-arranged funeral plans and arrangement of funerals.

### Business review

2018/19 has been a challenging year for funeral planning, with the market shrinking by 15% in 2018 according to the Funeral Planning Authority (FPA). This has been driven by increasing regulatory focus on the industry, with the Competitions and Markets Authority announcing a review of the funeral market in general and HM Treasury launching a call to evidence on the funeral planning market, which may result in funeral plans coming under the remit of the Financial Conduct Authority (FCA) in the future.

The statement of comprehensive income is disclosed on page 7. The loss incurred represents the deferral of profit on instalment plans under the company's revenue recognition policy. In addition, this year has seen the write-off of an investment in subsidiary entity Avalon Direct Limited, which has ceased trading in the year following a strategic review with trade being hived up into the Avalon Trustee Company Limited. Overall, the directors are pleased with the performance of the company and remain confident that, following the implementation of the new regulatory regime, it will continue its growth.

### Principal risks and uncertainties

The major operational risk affecting the company is the relative levels of future inflation affecting funeral costs against investment returns achievable on the Trust's assets. To help manage and control such risks, the Trusts, which are independently administered, are actuarially valued annually and the assets are managed by independent investment managers.

The exact nature of the future regulation of funeral plans by the FCA remains uncertain. The directors continue to engage regularly with the FCA, FPA members and other interested parties to ensure that the needs of consumers and independent funeral plan providers are met by the new regulation.

### Financial key performance indicators

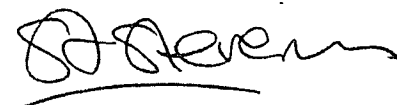
As detailed in note 23 The Avalon Funeral Trusts No 1 and 3 are schemes for the pre arrangement of and pre funding of funeral services whose assets, liabilities and income and expenditure are consolidated into these financial statements. At the year end the carrying value of the net assets of the Avalon Funeral Trusts No 1 and 3 amounted to £68,278,923 (2018 - £52,670,027) which compares to the actuarial value of the funeral director liability of £56,788,000 (2018 - £45,696,000). This assessment of the Trust positions supports the business model of the Company in meeting the funeral enactment obligations as they fall due.

### Going concern

The financial statements have been prepared on a going concern basis. Further explanation is provided in the accounting policies.

This report was approved by the board on 27/02/20 and signed on its behalf.

S J Stevenson  
Director



# **The Avalon Trustee Company Limited**

## **Directors' Report For the Year Ended 30 June 2019**

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The directors present their report together with the audited financial statements for the year ended 30 June 2019.

### **Principal activity**

The principal activity of the company can be found on page 1 in the strategic report.

### **Business review**

A review of the business and its principal risks and uncertainties is given on the strategic report on page 1 of the financial statements.

### **Results and dividends**

The loss for the year, after taxation, amounted to £4,269,052 (2018 - loss £1,659,061).

The directors do not propose a dividend for the year (2018 - £Nil).

### **Directors**

The directors who served during the year and to the date of this report were:

M Dugdale (resigned 23 October 2019)  
J P Gardner  
P B Leech (resigned 23 October 2019)  
C M Porter (appointed 26 July 2019)  
S J Stevenson (appointed 1 May 2019)  
S Townsley (appointed 1 November 2019)

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Post statement of financial position events**

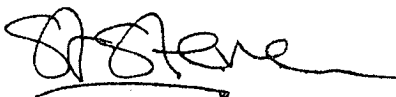
There have been no significant events affecting the company since the year end.

### **Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 27/6/20 and signed on its behalf.

**S J Stevenson**  
Director



# **The Avalon Trustee Company Limited**

## **Directors' Responsibilities Statement For the Year Ended 30 June 2019**

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The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **The Avalon Trustee Company Limited**

## **Independent Auditor's Report to the Members of The Avalon Trustee Company Limited**

### **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE AVALON TRUSTEE COMPANY LIMITED**

#### **Opinion**

We have audited the financial statements of The Avalon Trustee Company Limited ("the Company") for the year ended 30 June 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

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

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

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

# **The Avalon Trustee Company Limited**

## **Independent Auditor's Report to the Members of The Avalon Trustee Company Limited**

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We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement in respect of the Director's report and the Financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the



## The Avalon Trustee Company Limited

### Independent Auditor's Report to the Members of The Avalon Trustee Company Limited

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fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Graham Ellis (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Manchester, UK

Date 28 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# The Avalon Trustee Company Limited

## Statement of comprehensive income for the year ended 30 June 2019

	Note	2019 £	2018 £
<b>Turnover</b>	4	9,824,769	12,866,384
<b>Cost of sales</b>		(1,796,861)	(3,364,945)
<b>Gross profit</b>		8,027,908	9,501,439
Administrative expenses		(11,895,907)	(11,679,560)
Other operating income	5	(107,388)	53,699
Impairment of investments	13	(3,224,731)	-
Changes in fair value of investments	13	1,511,825	(1,138,330)
<b>Operating loss</b>	6	(5,688,293)	(3,262,752)
Interest receivable and similar income	9	1,419,241	1,603,691
Interest payable and similar charges	10	-	-
<b>Loss before taxation</b>		(4,269,052)	(1,659,061)
Taxation on loss	11	-	-
<b>Loss for the financial year attributable to equity holders of the company</b>		(4,269,052)	(1,659,061)
Revaluation of land and buildings	12	-	150,001
<b>Total comprehensive loss for the financial year attributable to equity holders of the company</b>		(4,269,052)	(1,509,060)

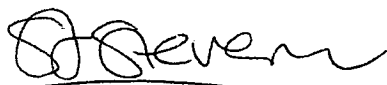
The notes on pages 10 to 26 form part of these financial statements.

# The Avalon Trustee Company Limited

## Statement of financial position at 30 June 2019

<b>Company number 02836336</b>	<b>Note</b>	<b>2019 £</b>	<b>2019 £</b>	<b>2018 £</b>	<b>2018 £</b>
<b>Fixed assets</b>					
Tangible assets	12		<b>251,975</b>		1,116,161
Investments	13		<b>65,168,573</b>		48,699,216
			<hr/>		<hr/>
			<b>65,420,548</b>		49,815,377
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	14	<b>13,506,954</b>		12,495,126	
Debtors: amounts falling due within one year	14	<b>11,646,324</b>		10,851,348	
Cash at bank and in hand		<b>3,381,185</b>		4,206,031	
		<hr/>		<hr/>	
		<b>28,534,463</b>		27,552,505	
<b>Creditors: amounts falling due within one year</b>	15	<b>(8,982,869)</b>		(7,262,446)	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>19,551,594</b>		20,290,059
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>84,972,142</b>		70,105,436
<b>Creditors: amounts falling due after more than one year</b>	16		<b>(15,239,456)</b>		(11,585,881)
<b>Provisions for liabilities</b>	17		<b>(84,164,322)</b>		(68,682,139)
			<hr/>		<hr/>
<b>Net liabilities</b>			<b>(14,431,636)</b>		(10,162,584)
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18		<b>66,334</b>		66,334
Share premium account	19		<b>6,666</b>		6,666
Profit and loss account	19		<b>(14,504,636)</b>		(10,235,584)
			<hr/>		<hr/>
<b>Deficit attributable to owners of the company</b>			<b>(14,431,636)</b>		(10,162,584)
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2020



**S J Stevenson**  
Director

The notes on pages 10 to 26 form part of these financial statements.

## The Avalon Trustee Company Limited

### Statement of changes in equity for the year ended 30 June 2019

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
1 July 2018	66,334	6,666	-	(10,235,584)	(10,162,584)
Comprehensive loss for the year					
Loss for the year	-	-	-	(4,269,052)	(4,269,052)
Total comprehensive loss for the year	-	-	-	(4,269,052)	(4,269,052)
30 June 2019	66,334	6,666	-	(14,504,636)	(14,431,636)

### Statement of changes in equity for the year ended 30 June 2018

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
1 July 2017	66,334	6,666	(150,001)	(8,576,523)	(8,653,524)
Comprehensive loss for the year					
Loss for the year	-	-		(1,659,061)	(1,659,061)
Other comprehensive income for the year					
Revaluation of land and buildings	-	-	150,001	-	150,001
Total comprehensive income/(loss) for the year	-	-	150,001	(1,659,061)	(1,509,060)
30 June 2018	66,334	6,666	-	(10,235,584)	(10,162,584)

The notes on pages 10 to 26 form part of these financial statements.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements  
for the year ended 30 June 2019**

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## **1. General information**

The Avalon Trustee Company Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

## **2. Accounting policies**

### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### **2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Nirvana Holdings Limited as at 30 June 2019 and these financial statements may be obtained from Companies House.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **2. Accounting policies (continued)**

### **2.3 Going concern**

Notwithstanding the net liabilities in the statement of financial position the directors have prepared the financial statements on a going concern basis.

The net liabilities of the company reflect the fact a provision is recognised for the accumulated amounts due on each active funeral plan, either reflecting monies to be returned to the customer, or monies due to the funeral director on enactment of a funeral. This provision will be utilised over a number of years into the future, albeit the exact timing is currently unknown based on the relative ages of individuals who have signed up to funeral plans and/or inherent uncertainty in predicting the timing and quantum of cancellations. In order to meet the payments required in settling the provision, the company will utilise its investments and cash resources, however there is a remote possibility of the provision requiring settlement in full in the period covering 12 months from the date of approval of the financial statements. The company's loss arose due to the model of selling funeral plans both via lump sum and on instalment payment bases, where expenses are recognised at point of sale but revenue is recognised over the payment period.

The forecasts prepared for a period covering 12 months from the date of approval of the financial statements indicate that the company will continue to operate within its current facilities.

Based on the above, the directors have a reasonable expectation that the company will continue to meet liabilities as they fall due and therefore continue to present financial statements on a going concern basis.

### **2.4 Turnover**

Turnover comprises revenue recognised by the company in respect of funeral plans, sold to customers either as lump sum plans (where the customer pays in full for the plan in one lump sum) or as instalment payment plans (where the customer pays for the plan in instalments over a period of time). In addition, an immaterial amount of revenue relates to commissions received on the sale of insurance backed funeral plans, exclusive of Value Added Tax.

Revenue recognised on premiums paid on lump sum funeral plan sales is based on the directors' assessment of the fair value of the services provided in arranging the funeral plan having regard to the benefit transferred to the customer in signing up to, and fully paying for, a funeral plan. A similar assessment of the fair value is made on inception of an instalment based funeral plan, however only part of the revenue is recognised, with an element of the revenue deferred until payment of the final instalment, as only at this point has the full benefit of the plan transferred to the customer.

Turnover for funeral plan sales is recognised on initial inception of each funeral plan, net of a cancellation provision, based on an assessment of the expected number of lump sum and instalment plans expected to cancel. Turnover for commissions is recognised, net of a potential clawback provision, when the right to consideration in exchange for establishment of the insurance backed funeral plan has crystallised.

### **2.5 Other operating income**

Other operating income comprises rental income earned from the investment properties. This is credited to the statement of comprehensive income on a straight line basis in line with tenancy agreements.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **2. Accounting policies (continued)**

### **2.6 Tangible fixed assets**

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

Depreciation is provided on the following basis:

Other fixed assets      -      15% - 25% straight line per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

### **2.7 Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are revalued to fair value with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit is charged or credited to the statement of comprehensive income.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

### **2.8 Valuation of investments**

Investments in listed company shares are measured at fair value through the statement of comprehensive income.

### **2.9 Investment property**

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value with any change recognised in profit and loss.

### **2.10 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### **2.11 Cash**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **2. Accounting policies (continued)**

### **2.12 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### **2.13 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

### **2.14 Interest receivable and similar income**

Interest receivable is immaterial. Similar income relates to instalment plan income in relation to the instalment payment plans offered to customers.

### **2.15 Pensions**

#### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

### **2.16 Financial instruments**

The company's cash at bank and in hand and trade and other debtors and its trade and other creditors and bank overdrafts are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

If a transaction constitutes a financing transaction it is measured at the present value of the future payments discounted at a market rate of interest, except where loans are received from a person who is within a director's group of close family members and that group contains a shareholder of the company, then these are initially recorded at transaction price, and subsequently at amortised cost using the interest rate implicit in the contract.



# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **2. Accounting policies (continued)**

### **2.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

For the company, the total provision recognised relates to the accumulated amounts due on each active funeral plan, either reflecting monies to be returned to the customer, or monies due to the funeral director on enactment of a funeral. This provision will be utilised over a number of years into the future, albeit the exact timing is currently unknown based on the relative ages of individuals who have signed up to funeral plans and/or inherent uncertainty in predicting the timing and quantum of cancellations.

In order to meet the payments required in settling the provision, the company will utilise its investments and cash resources, however there is a remote possibility of the provision requiring settlement in full in the period covering 12 months from the date of approval of the financial statements.

### **2.18 Current and deferred tax**

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **2. Accounting policies (continued)**

### **2.19 Lease assets: Lessor**

All leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

### **2.20 Pre arranged funeral plans**

The Company markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts (the 'Trusts'). The responsibility for the ultimate performance of funerals is allocated to funeral directors who are not owned by the Group. These Trusts are consolidated by the Company, on the basis that whilst the customers' monies are actually paid directly to the Avalon Funeral Trusts, from the customers' perspective they have contracted with The Avalon Trustee Company Limited. The placing of the monies into Trust is to ring-fence the customer monies in order that the company can meet its obligations to funeral directors as they fall due. At the direction of the company, the Trusts settle the company obligations to the funeral directors and repay customers when required. In addition the company is entitled to take payment of monies from the Trust to enable payment of costs incurred in the administration of the plans.

# **The Avalon Trustee Company Limited**

**Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019**

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## **3 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have had to make the following judgements:

- The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. Although the Company uses external professional advisors to determine fair value the valuation of the Company's property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations the Company places on its property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions which may not prove to be accurate, particularly in periods of volatility in the property market. All investment properties were sold during the year, removing this estimation going forward.
- The maturity of trade debtors and deferred income is an estimated position, based on the average length of active instalment plans. Given the number of active funeral plans it is not practicable to calculate the maturity profile of trade debtors and deferred income on an individual plan by plan basis.
- Turnover for funeral plan sales is recognised as described in note 2. In applying the revenue recognition policy the key judgements applied by the directors relate to:
  - i. The assessment of the services provided in arranging the funeral plan having regard to the benefit transferred to the customer in signing up to a plan, based on the nature of the funeral plans entered into. Typically the fair value of the services and the related benefit equates to the difference between a fully paid plan on inception and the agreed cost of the funeral at that date.
  - ii. The likelihood of cancellation of funeral plans, and the value of the cancellation provision, based on historic experience of cancellation rates of funeral plans.
  - iii. The conclusion as to whether the company acts as a principal or agent with regard to the provision of funerals. As the company's principal activity is the sale of funeral plans, and the company enters a contract on behalf of the customer with a funeral director to provide the funeral and all related services, the directors believe that the company is acting as a principal in the sale of a funeral plan, but as an agent in the provision of a funeral, on the basis that when another party is involved in providing goods or services to a customer, the directors are required to determine whether the nature of its promise to the customer is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for the other party to provide those goods or services (i.e. the entity is an agent). The directors have concluded, on the basis the funeral is provided by a third party funeral director and the company has contracted with the funeral director on behalf of the specified customer at the inception of the funeral plan, that the company is an agent in the provision of the funeral.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 4 Analysis of Turnover

100% of revenue is attributable to funeral plan revenue (2018 - 100%).

All turnover arose in the UK.

## 5 Other operating income

	2019 £	2018 £
Loss on funeral enactments	(107,388)	(72,983)
Other operating income	-	1,631
Net rent receivable	-	125,051
	<u>(107,388)</u>	<u>53,699</u>

## 6 Operating loss

	2019 £	2018 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	110,408	101,149
Operating lease expense	57,510	-
Fees payable to the company's auditor for the audit of the company's annual accounts	17,000	17,000
Defined contribution pension cost	80,434	48,681
Loss on disposal of investment property	-	154,463
Impairment of investment	3,224,731	-
	<u>3,480,083</u>	<u>313,293</u>

## 7 Employees

	2019 £	2018 £
Staff costs (including directors) consist of:		
Wages and salaries	4,600,532	4,469,865
Social security costs	514,336	573,645
Cost of defined contribution scheme	80,434	42,611
	<u>5,195,302</u>	<u>5,086,121</u>

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 7 Employees (continued)

The average number of employees (including directors) during the year was as follows:

	2019 Number	2018 Number
Sales agents	83	79
Office workers	39	38
Directors	4	5
	<u>126</u>	<u>122</u>

## 8 Directors' remuneration

	2019 £	2018 £
Directors' emoluments	-	-
Defined contribution pension scheme	-	-
	<u>-</u>	<u>-</u>

Directors' emoluments were borne by another group undertaking.

## 9 Interest receivable and similar income

	2019 £	2018 £
Instalment plan charges	1,416,573	1,603,405
Interest receivable	2,668	286
	<u>1,419,241</u>	<u>1,603,691</u>

## 10 Interest payable and similar charges

	2019 £	2018 £
Other interest payable	-	-
	<u>-</u>	<u>-</u>

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 11 Taxation on loss

	2019 £	2018 £
<i>UK corporation tax</i>		
Adjustment in respect of previous periods	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	16,424
Adjustment in respect of previous periods	-	(16,424)
Changes to tax rates	-	-
Total deferred tax	-	-
Taxation on loss	-	-

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2019 £	2018 £
Loss before tax	(4,269,052)	(1,659,061)
Loss at the standard rate of corporation tax in the UK of 19% (2018 – 19%)	(811,120)	(315,222)
Effects of:		
Fixed asset differences	(14,533)	41,749
Expenses not deductible for tax purposes	691,677	330,862
Income not taxable for tax purposes	(287,247)	(31,257)
Adjustments to brought forward values	-	(54)
Other tax adjustments, reliefs and transfers	(444,176)	-
Chargeable gains	280,882	5,808
Group relief surrendered	230,298	-
Adjustment in respect of previous periods – deferred tax	-	(16,424)
Deferred tax not recognised	316,933	(12,106)
Adjust opening deferred tax to average rate	(156,859)	(157,785)
Adjust closing deferred tax to average rate	194,145	154,429
Total tax charge	-	-

The current rate of UK corporation tax is 19%. A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) was substantively enacted in October 2015.

The company has tax losses available of £9,660,269 (2018 - £6,221,719) for which a deferred tax asset has not been recognised, on the basis that it is unlikely the asset would be recovered in the foreseeable future.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 12 Tangible fixed assets

	Land and buildings £	Other fixed assets £	Total £
<i>Cost or valuation</i>			
At 1 July 2018	850,001	713,997	1,563,998
Additions	-	96,223	96,223
Disposals	(850,001)	(238,233)	(1,088,234)
Revaluations	-	-	-
At 30 June 2019	-	571,987	571,987
<i>Depreciation</i>			
At 1 July 2018	-	447,837	447,837
Charge for the year	-	110,408	110,408
Disposals	-	(238,233)	(238,233)
At 30 June 2019	-	320,012	320,012
<i>Net book value</i>			
At 30 June 2019	-	251,975	251,975
At 30 June 2018	850,001	266,160	1,116,161

If the land and buildings had not been included at valuation they would have been included under historical cost convention as follows:

	2019 £	2018 £
Cost	-	755,807
Accumulated depreciation	-	(221,000)
	-	534,807

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 13 Investments

	Listed investments £	Other fixed asset investments £	Total £
<i>Cost or valuation</i>			
At 1 July 2018	48,699,216	-	48,699,216
Additions	38,974,420	3,224,731	42,199,151
Disposals	(24,016,888)	-	(24,016,888)
Revaluations	1,511,825	-	1,511,825
Impairment	-	(3,224,731)	(3,224,731)
	<hr/>	<hr/>	<hr/>
At 30 June 2019	65,168,573	-	65,168,573
	<hr/>	<hr/>	<hr/>
At 30 June 2018	48,699,216	-	48,699,216
	<hr/>	<hr/>	<hr/>

The addition within other fixed asset investments relates to a capital contribution from The Avalon Trustee Company Limited as the amounts owed from Avalon Direct Limited were forgiven. A transfer of trade was made from Avalon Direct Limited to The Avalon Trustee Company Limited on 31 October 2018 and the decision has been made to liquidate Avalon Direct Limited. As such, the balance is deemed to be impaired.

## 14 Debtors

	2019 £	2018 £
<b>Due after more than one year</b>		
Trade debtors	13,506,954	12,495,126
	<hr/>	<hr/>
	13,506,954	12,495,126
	<hr/>	<hr/>
<b>Due within one year</b>		
Trade debtors	2,565,012	2,418,452
Other debtors	-	8,297
Amounts owed by group undertakings	5,836,727	5,795,686
Prepayments	3,236,506	2,596,644
Corporation tax	8,079	32,269
	<hr/>	<hr/>
	11,646,324	10,851,348
	<hr/>	<hr/>

The impairment loss recognised in profit or loss for the period in respect of bad and doubtful trade debtors was £nil (2018 - £nil).

Amounts owed by group undertakings are interest free and payable on demand.

The maturity of trade debtors is an estimated position, based on the average length of active instalment plans, as described in note 3.

## 15 Creditors: amounts falling due within one year



## The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

	2019 £	2018 £
Trade creditors	376,625	377,371
Amounts owed to group undertakings	4,820,408	3,693,979
Taxation and social security	353,010	319,478
Other creditors	398,442	549,318
Accruals and deferred income	3,034,384	2,322,300
	<u>8,982,869</u>	<u>7,262,446</u>

Amounts owed to group undertakings are interest free and payable on demand.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 16 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Accruals and deferred income	15,239,456	11,585,881
	<u>15,239,456</u>	<u>11,585,881</u>

The maturity of accruals and deferred income is an estimated position, based on the average length of active instalment plans, as described in note 3.

## 17 Provisions

	£
At 1 July 2018	(68,682,139)
Net movement in the year	(15,482,183)
	<u>(84,164,322)</u>

The provision is accounted for as described in the accounting policies. The amount is not capable of being split into periods of maturity.

An alternative accounting methodology would be to adopt an actuarial valuation of the liability. However this would reflect an expected drop off as some customers would withdraw or cancel their plans and the directors consider that this would not reflect a true and fair view on the legal position at the year end. The actuarial valuation of the liability is demonstrated in the accounting for the individual funeral trusts as disclosed in note 24.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 18 Share capital

	2019 £	2018 £
<i>Allotted, called up and fully paid</i>		
66,334 (2018 – 66,334) ordinary shares of £1 each	<u>66,334</u>	<u>66,334</u>

## 19 Reserves

The company's capital and reserves are as follows:

### Called up share capital

Called up share capital represents the nominal value of the shares issued.

### Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

### Revaluation reserve

Revaluation reserve represents cumulative revaluations on individual freehold and leasehold properties.

### Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

## 20 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £80,434 (2018 - £48,681). Contributions totalling £37,606 (2018 - £54,982) were payable to the fund at the balance sheet date and are included in creditors.

## 21 Related party transactions

The company has taken advantage of the exemption in section 33.1A of FRS 102 from the requirement to disclose transactions with wholly owned group companies on the ground that consolidated financial statements are prepared by the immediate parent company, Nirvana Holdings Limited.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

## 22 Ultimate parent undertaking and controlling party

The immediate parent company is Nirvana Holdings Limited, a company registered in England and Wales at Unit A2 Brooke Court Handforth Dean, Wilmslow, Cheshire, England, SK9 3ND. Nirvana Holdings Limited is the parent undertaking of the largest and smallest group in which the results of the company are consolidated. The ultimate parent undertaking is Tamalow Limited, a company registered in Ireland. There is no majority shareholder of Tamalow Limited which controls the company.

## 23 The Avalon Funeral Trusts No 1 & 3

The Avalon Funeral Trusts No 1 & No 3 are both independently administered schemes for the pre-arrangement and pre-funding of funeral services. A formal independent actuarial review of the Avalon Funeral Trusts No 1 & No 3 has been prepared as at 30 June 2019.

The actuarial value of total funeral director liabilities compared with the value of non-current and net current assets for each individual Trust are disclosed below.

### Trust No 1

At the valuation date, the values of the Trust's net current and non-current assets excluding amounts due to the company were sufficient to cover 96% (2018 - 96%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 1 as at 30 June 2019 excluding amounts due to the company comprise:

	2019 £	2018 £
Listed investments	13,873,702	12,033,512
Investment properties	-	850,001
Prepayments	15,541	-
Bank balances	270,508	1,015,599
Taxation	(45,724)	(51,287)
Other creditors	(51,944)	(46,511)
	<hr/>	<hr/>
Total	14,062,083	13,801,314
	<hr/>	<hr/>

The actuarial value of total Trust liabilities compared with the value of the above is as follows:

	2019 £	2018 £
Net current and non-current assets excluding amounts due to the company	14,062,083	13,801,314
Actuarial liabilities	(14,581,000)	(14,315,000)
	<hr/>	<hr/>
Deficit	(518,917)	(513,686)
	<hr/>	<hr/>

## The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)  
for the year ended 30 June 2019

### 23 The Avalon Funeral Trusts No 1 & 3 (continued)

#### Trust No 3

At the valuation date, the values of the Trust's net current and non-current assets excluding amounts due to the company were sufficient to cover 128% (2018 - 124%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 3 as at 30 June 2019 excluding amounts due to the company comprise:

	2019 £	2018 £
Listed investments	51,285,775	36,665,703
Bank balances	3,086,661	2,504,165
Creditors	(155,596)	(301,155)
	<hr/>	<hr/>
Total	54,216,840	38,868,713
	<hr/>	<hr/>

The actuarial value of total Trust liabilities compared with the value of the above is as follows:

	2019 £	2018 £
Net current and non-current assets excluding amounts due to the company	54,216,840	38,868,713
Actuarial liabilities	(42,207,000)	(31,381,000)
	<hr/>	<hr/>
Surplus	12,009,840	7,487,713
	<hr/>	<hr/>

For the purposes of the actuarial calculations above (on both Trusts) the actuary has adopted the funding method known as the Net Premium Method. This method involves projecting the funeral plan payments into the future until the assumed life expectancy of the plan holder. The funeral plan payments consist of both the Funeral Directors Fees and the Disbursement Costs. The projection will allow for future increases on the funeral payments in line with the assumed rate of inflation. The projected expected funeral payments are then discounted back at the net discount rate to the valuation date. For instalment plans, the discounted funeral payments are reduced by the present value of the future expected premiums payable on the plan.

As per Clause 14 of the Trust Deed if an actuarial investigation discloses that the Trust assets are less than the Trust liabilities, the Company shall make such payment to the Trust as certified by the actuary as necessary to rectify the position.