

# **The Avalon Trustee Company Limited**

Annual Report and Financial Statements

Year Ended

30 June 2017

Company Number 02836336

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# The Avalon Trustee Company Limited

## Company Information

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<b>Directors</b>	M Dugdale J P Gardner P B Leech J Darbyshire P E H Wilson
<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 2017**

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The directors present the strategic report together with the audited financial statements for the year ended 30 June 2017.

### **Principal activities**

The principal activity of the company continued to be that of marketing of pre-arranged funeral plans and arrangement of funerals.

### **Business review**

The company traded strongly during the year with turnover increasing by 97%. This increase reflects the growing selling and marketing capability of the company. The statement of comprehensive income is disclosed on page 7. The loss incurred represents the company's investment in the overhead base of the company. The directors expect the volume of funeral plan sales to offset the overhead cost in the coming years. Overall, the directors are pleased with the performance of the company and remain confident that it will continue its growth for the foreseeable future.

During the year, Plan My Funeral Avalon Limited ('PMF') was established, wholly owned by Avalon Newco Limited which itself is 51% held by The Avalon Trustee Company Limited ('ATCL') and 49% held among three former shareholders of Plan My Funeral Limited. The business and assets of Plan My Funeral Limited were purchased by PMF on 13 March 2017. On the same date, a share purchase agreement was entered into between Avalon Newco Limited, PMF and the former shareholders of Plan My Funeral Limited pursuant to which the former shareholders of Plan My Funeral Limited were allotted shares in Avalon Newco Limited as consideration for the transfer of their shares in PMF to Avalon Newco Limited. A shareholders' agreement in respect of Avalon Newco Limited contains a put and call option whereby the minority holding may be acquired by ATCL after 31 March 2018 for additional cash consideration to be determined by reference to certain agreed performance and funding metrics.

### **Principal risks and uncertainties**

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

### **Financial key performance indicators**

As detailed in note 25 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 £37,979,996 (2016 - £27,584,018) which compares to the actuarial value of the funeral director liability of £34,404,000 (2016 - £24,776,000).

### **Prior year adjustment**

The directors have reassessed the accounting policy for revenue recognition on funeral plans in the year, as explained further in note 4 to the financial statements.

### **Going concern**

The financial statements have been prepared on a going concern basis, as further explained in the accounting policies.

This report was approved by the board on 29 March 2018 and signed on its behalf.

**M Dugdale**  
Director



# The Avalon Trustee Company Limited

## Directors' Report For the Year Ended 30 June 2017

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The directors present their report together with the audited financial statements for the year ended 30 June 2017.

### 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 £1,578,089 (2016 - loss £2,287,444).

The directors do not propose a dividend for the year (2016 - £Nil).

### Directors

The directors who served during the year were:

M Dugdale  
J P Gardner  
P B Leech  
J Darbyshire  
P E H Wilson (appointed 15 November 2016)

### 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 29 March 2018 and signed on its behalf.



**M Dugdale**  
Director

# **The Avalon Trustee Company Limited**

## **Directors' Responsibilities Statement For the Year Ended 30 June 2017**

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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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 (continued)**

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### **Opinion**

We have audited the financial statements of The Avalon Trustee Company Limited for the year ended 30 June 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and 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 2017 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 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.

# **The Avalon Trustee Company Limited**

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

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### **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.

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 misstatement in the strategic report and director's 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.



# The Avalon Trustee Company Limited

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

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### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 determines 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

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 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.

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 at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BDO LLP

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

29 March 2018

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 2017

	Note	2017 £	As restated 2016 £
<b>Turnover</b>	5	<b>10,650,863</b>	5,360,005
Cost of sales		<b>(4,452,488)</b>	(1,433,193)
<b>Gross profit</b>		<b>6,198,375</b>	3,926,812
Administrative expenses		<b>(8,760,596)</b>	(5,913,551)
Other operating income	6	<b>174,177</b>	197,368
<b>Operating loss</b>	7	<b>(2,388,044)</b>	(1,789,371)
Changes in fair value of investment property	15	<b>(675,054)</b>	141,197
Changes in fair value of investments	14	<b>663,997</b>	(927,999)
Interest receivable and similar income	10	<b>821,118</b>	442,530
Interest payable and similar charges	11	<b>(106)</b>	-
<b>Loss on ordinary activities before taxation</b>		<b>(1,578,089)</b>	(2,133,643)
Taxation on loss on ordinary activities	12	-	(153,801)
<b>Loss for the financial year attributable to equity holders of the company</b>		<b>(1,578,089)</b>	(2,287,444)
Revaluation of land and buildings	13	<b>60,000</b>	(210,001)
<b>Total comprehensive loss for the financial year attributable to equity holders of the company</b>		<b>(1,518,089)</b>	(2,497,445)

The notes on pages 10 to 27 form part of these financial statements.

# The Avalon Trustee Company Limited

## Statement of financial position at 30 June 2017

<b>Company number 02836336</b>				<b>As restated 2016</b>	<b>As restated 2016</b>
	<b>Note</b>	<b>2017 £</b>	<b>2017 £</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Tangible assets	13		982,880		858,791
Investments	14		31,252,042		20,823,575
Investment property	15		4,600,000		5,275,054
			36,834,922		26,957,420
<b>Current assets</b>					
Debtors: amounts falling due after more than one year	16	4,077,983		2,952,386	
Debtors: amounts falling due within one year	16	11,618,629		7,574,015	
Cash at bank and in hand		2,749,473		1,279,711	
		18,446,085		11,806,112	
<b>Creditors: amounts falling due within one year</b>	17	(3,646,238)		(2,377,712)	
<b>Net current assets</b>			14,799,847		9,428,400
<b>Total assets less current liabilities</b>			51,634,769		36,385,820
<b>Creditors: amounts falling due after more than one year</b>	18		(8,950,665)		(6,452,611)
<b>Provisions for liabilities</b>	19		(51,337,628)		(37,068,644)
<b>Net liabilities</b>			(8,653,524)		(7,135,435)
<b>Capital and reserves</b>					
Called up share capital	20		66,334		66,334
Share premium account	21		6,666		6,666
Revaluation reserve	21		(150,001)		(210,001)
Profit and loss account	21		(8,576,523)		(6,998,434)
<b>Deficit attributable to owners of the company</b>			(8,653,524)		(7,135,435)

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018



M Dugdale  
Director

The notes on pages 10 to 27 form part of these financial statements.

## The Avalon Trustee Company Limited

### Consolidated statement of changes in equity for the year ended 30 June 2017

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>1 July 2016 (as restated)</b>	<b>66,334</b>	<b>6,666</b>	<b>(210,001)</b>	<b>(6,998,434)</b>	<b>(7,135,435)</b>
<b>Comprehensive income/(loss) for the year</b>					
Loss for the year	-	-	-	(1,578,089)	(1,578,089)
Revaluation of land and buildings	-	-	60,000	-	60,000
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>60,000</b>	<b>(1,578,089)</b>	<b>(1,518,089)</b>
<b>30 June 2017</b>	<b>66,334</b>	<b>6,666</b>	<b>(150,001)</b>	<b>(8,576,523)</b>	<b>(8,653,524)</b>

## The Avalon Trustee Company Limited

### Consolidated statement of changes in equity for the year ended 30 June 2016

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>1 July 2015 (as restated)</b>	<b>66,334</b>	<b>6,666</b>	<b>-</b>	<b>(4,710,990)</b>	<b>(4,637,990)</b>
<b>Comprehensive loss for the year</b>					
Loss for the year (as restated)	-	-	-	(2,287,444)	(2,287,444)
Revaluation of land and buildings	-	-	(210,001)	-	(210,001)
<b>Total comprehensive loss for the year (as restated)</b>	<b>-</b>	<b>-</b>	<b>(210,001)</b>	<b>(2,287,444)</b>	<b>(2,497,445)</b>
<b>30 June 2016 (as restated)</b>	<b>66,334</b>	<b>6,666</b>	<b>(210,001)</b>	<b>(6,998,434)</b>	<b>(7,135,435)</b>

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

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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;
- 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 2017 and these financial statements may be obtained from Companies House.

# **The Avalon Trustee Company Limited**

## **Notes forming part of the financial statements for the year ended 30 June 2017**

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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. The company is currently in a process of growing its selling and marketing capability, such that the administrative cost of selling funeral plans currently outweighs the revenue taken on those plans. Based on management information the directors are expectant of reversing this trend in the foreseeable future.

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 for the year ended 30 June 2017**

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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
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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 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.

#### **2.9 Valuation of investments**

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

#### **2.10 Cash**

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

#### **2.11 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.

# **The Avalon Trustee Company Limited**

## **Notes forming part of the financial statements for the year ended 30 June 2017**

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

#### **2.12 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.

#### **2.13 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.

#### **2.14 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 for the year ended 30 June 2017**

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

#### **2.15 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.

#### **2.16 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.

### **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.
- 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 for the year ended 30 June 2017**

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### **4 Prior year adjustment**

In the prior year the company adopted FRS102 for the first time. No alterations were made to the accounting treatment in respect of revenue recognised on funeral plans during the transition to FRS102, however in the current year the directors have reassessed the accounting for funeral plans under the new accounting standards, and have revised the accounting policies accordingly. Previously the following accounting policies were in place within the company:

- For the sale of each funeral plan, revenue was recognised equivalent to the value of payments received from the customer. Revenue on lump sum payment plans represented the sale price of the funeral plan, whilst revenue on instalment plans represented the proportion of the sale price of the funeral plan paid to the company by customers in a financial year.
- A provision was recognised representing the obligation in today's money of the committed to cost of providing each funeral - i.e. the cost the company would incur if every funeral plan was enacted, with an associated cost of sale recognised. On lump sum funeral plans, the full cost of the funeral was recognised as a cost of sale and provision, matching the cost of the funeral to the revenue recognised on sale of the funeral plan. On instalment plans, the cost of the funeral and provision for the funeral liability was built up as each payment was made by the customer, such that an entry to cost of sales and the provision was made as revenue was recognised on each payment made by the customer.
- No cancellation provision was recognised in the financial statements. If a plan was cancelled monies repaid to the customer would be recognised as a deduction to revenue, and the associated provision and cost of sale previously recognised would be reversed in the year in which the cancellation was made, regardless of the timing of initial recognition of revenue and costs.

Based on the reassessment of accounting for funeral plans under FRS102, the following treatment is now adopted within the financial statements. The major factor in arriving at the change in methodology relates to the directors' conclusions on whether the company acts as principal or agent in the provision of the funeral service, as explained in note 3. Management has revised this conclusion in the year, utilising the guidance in FRS102.

On lump sum funeral plans:

- Revenue is recognised on inception of the funeral plan, representing the fair value of the benefit transferred to the customer on signing up to, and paying for, the funeral plan, net of a cancellation provision.
- The difference between the sale price to the customer and the fair value of revenue recognised is recorded as a provision, representing the cost of the funeral to be provided on enactment of the funeral plan, or representing the monies due back to the customer in relation to the funeral plan if the plan is cancelled.
- The provision is increased by CPI each financial year, on the basis of the terms of the contract with the funeral director entered into on inception of a customer's funeral plan. The increase in the provision recognised each year as a result of CPI is recognised in the income statement.

On funeral plans entered into on an instalment payment basis:

- Revenue and deferred revenue is recognised on inception of the funeral plan. On inception of the plan, the fair value of the benefit transferred to the customer on signing up to the funeral plan is recognised, net of a cancellation provision. An associated trade debtor is recognised, reflecting the fact that the customer pays on instalments.
- For each cash payment received from the customer, the following treatment is adopted, with an element of each cash payment:
  - reducing the initial trade debtor recognised
  - recognised as deferred revenue (only on final instalment does the customer receive the full benefit from the funeral plan and this revenue is therefore recognised on final payment)

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 4 Prior year adjustment (continued)

- recognised as a provision, on the basis the customer is paying the full sales price of the funeral plan, which includes the cost of the funeral itself. This provision reflects either the cost of the funeral, or monies due back to the customer on cancellation of the plan
- partly recognised as finance income, reflecting the initial recognition of the trade debtor, and the fact the sale of the funeral plan on an instalment basis is required to be treated as a financing transaction under FRS102
- partly recognised as deferred finance income, reflecting the build-up of the provision, and the fact the sale of the funeral plan on an instalment basis is required to be treated as a financing transaction under FRS102. Deferred finance income is recognised only on final instalment payment being received.
- The provision recognised is increased by CPI each financial year, on the basis of the contract with the funeral director entered into on inception of a customer's funeral plan. The increase in the provision recognised each year as a result of CPI is recognised in prepayments, and is released to the income statement on the final instalment payment being received.

The impact on the prior year statement of comprehensive income is demonstrated below:

	As previously stated 2016 £	Adjustments 2016 £	As restated 2016 £
Turnover	13,073,013	(7,713,008)	5,360,005
Cost of sales	(8,892,405)	7,459,212	(1,433,193)
<b>Gross profit</b>	<b>4,180,608</b>	<b>(253,796)</b>	<b>3,926,812</b>
Administrative expenses	(5,913,552)	1	(5,913,551)
Other operating income	215,309	(17,941)	197,368
<b>Operating loss</b>	<b>(1,517,635)</b>	<b>(271,736)</b>	<b>(1,789,371)</b>
Changes in fair value of investment property	141,197	-	141,197
Changes in fair value of investments	(927,999)	-	(927,999)
Interest receivable and similar income	573	441,957	442,530
Interest payable and similar charges	-	-	-
<b>Loss on ordinary activities before taxation</b>	<b>(2,303,864)</b>	<b>170,221</b>	<b>(2,133,643)</b>
Taxation on loss on ordinary activities	(153,801)	-	(153,801)
<b>Loss for the financial year attributable to equity holders of the company</b>	<b>(2,457,665)</b>	<b>170,221</b>	<b>(2,287,444)</b>
Revaluation of land buildings	(210,001)	-	(210,001)
<b>Total comprehensive loss for the financial year attributable to equity holders of the company</b>	<b>(2,667,666)</b>	<b>170,221</b>	<b>(2,497,445)</b>

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 4 Prior year adjustment (continued)

The impact on the statement of the prior year statement of financial position is demonstrated below:

	As previously stated 2016 £	Adjustments 2016 £	As restated 2016 £
<b>Fixed assets</b>			
Tangible assets	858,791	-	858,791
Investments	20,823,575	-	20,823,575
Investment property	5,275,054	-	5,275,054
	<u>26,957,420</u>	<u>-</u>	<u>26,957,420</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	1,583,209	-	1,583,209
Debtors: amounts falling due within one year	93,996	8,849,196	8,943,192
Cash at bank and in hand	1,279,711	-	1,279,711
	<u>2,956,916</u>	<u>8,849,196</u>	<u>11,806,112</u>
<b>Creditors: amounts falling due within one year</b>	<u>(1,003,208)</u>	<u>(7,817,566)</u>	<u>(8,820,774)</u>
<b>Net current assets</b>	<u>1,953,708</u>	<u>1,031,630</u>	<u>2,985,338</u>
<b>Total assets less current liabilities</b>	<u>28,911,128</u>	<u>1,031,630</u>	<u>29,942,758</u>
<b>Creditors: amounts falling due after more than one year</b>	<u>(9,549)</u>	<u>-</u>	<u>(9,549)</u>
<b>Provisions for liabilities</b>	<u>(36,382,305)</u>	<u>(686,339)</u>	<u>(37,068,644)</u>
<b>Net liabilities</b>	<u>(7,480,726)</u>	<u>345,291</u>	<u>(7,135,435)</u>
<b>Capital and reserves</b>			
Called up share capital	66,334	-	66,334
Share premium account	6,666	-	6,666
Revaluation reserve	(210,001)	-	(210,001)
Profit and loss account	(7,343,725)	345,291	(6,998,434)
<b>Equity attributable to owners of the company</b>	<u>(7,480,726)</u>	<u>345,291</u>	<u>(7,135,435)</u>

As a result of the prior year adjustment the impact on the opening reserves (at 1 July 2015) is not considered by the directors to be material:

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total equity £
1 July 2015 (as previously stated)	66,334	6,666	-	(4,886,060)	(4,813,660)
1 July 2015 (as restated)	<u>66,334</u>	<u>6,666</u>	<u>-</u>	<u>(4,710,990)</u>	<u>(4,637,990)</u>

# The Avalon Trustee Company Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017

## 5 Analysis of Turnover

98% of revenue is attributable to funeral plan revenue (2016 - 95%). The remaining 2% represents commissions paid for insurance backed funeral plans (2016 - 5%).

All turnover arose in the UK.

## 6 Other operating income

	2017 £	2016 £
Loss on funeral enactments	(11,287)	(17,941)
Other operating income	1,114	-
Net rent receivable	184,350	215,309
	<u>174,177</u>	<u>197,368</u>

## 7 Operating loss

	2017 £	2016 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	75,397	72,198
Operating lease expense	275	3,738
Fees payable to the company's auditor for the audit of the company's annual accounts	17,000	17,000
Defined contribution pension cost	37,228	29,698
	<u>129,900</u>	<u>122,634</u>

## 8 Employees

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries	3,734,110	3,347,228
Social security costs	484,614	363,592
Cost of defined contribution scheme	37,228	29,698
	<u>4,255,952</u>	<u>3,740,518</u>

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

	2017 Number	2016 Number
Sales agents	67	76
Office workers	39	30
Directors	5	5
	<u>111</u>	<u>111</u>

# The Avalon Trustee Company Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017

## 9 Directors' remuneration

	2017 £	2016 £
Directors' emoluments	500,933	542,293
Defined contribution pension scheme	5,089	-
	<u>506,022</u>	<u>542,293</u>

The highest paid director received remuneration of £132,054, inclusive of pension contributions of £2,000 (2016 - £109,349).

## 10 Interest receivable

	2017 £	2016 £
Instalment plan charges	821,118	441,957
Other interest receivable	-	573
	<u>821,118</u>	<u>442,530</u>

## 11 Interest payable and similar charges

	2017 £	2016 £
Other interest payable	106	-
	<u>106</u>	<u>-</u>

## 12 Taxation on profit on ordinary activities

	2016 £	2016 £
<i>UK corporation tax</i>		
Adjustment in respect of previous periods	-	153,801
	<u>-</u>	<u>153,801</u>
Total current tax	-	153,801
<i>Deferred tax</i>		
Origination and reversal of timing differences	12,509	(1)
Adjustment in respect of previous periods	(13,244)	
Changes to tax rates	735	1
	<u>-</u>	<u>-</u>
Total deferred tax	-	-
	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	-	153,801
	<u>-</u>	<u>153,801</u>

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 12 Taxation on profit on ordinary activities (continued)

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:

	2017 £	2016 £
Loss on ordinary activities before tax	(1,578,089)	(2,133,643)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(311,684)	(426,729)
Effects of:		
Expenses not deductible for tax purposes	218,640	245,662
Income not taxable for tax purposes	(131,144)	(115)
Group relief surrendered	-	142,756
Income not charged to tax	-	(28,354)
Chargeable gains/(losses)	52,141	(210,732)
Adjustment in respect of previous periods	(13,244)	153,801
Deferred tax not recognised	98,159	133,647
Adjust opening deferred tax to average rate	(127,219)	-
Adjust closing deferred tax to average rate	214,351	143,865
Total tax charge	-	153,801

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 £6,244,581 (2016: £5,494,295) 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  
for the year ended 30 June 2017

## 13 Tangible fixed assets

	Land and buildings £	Other fixed assets £	Total £
<i>Cost or valuation</i>			
At 1 July 2016	640,000	510,361	1,150,361
Additions	-	150,018	150,018
Disposals	-	(11,520)	(11,520)
Revaluations	60,000	-	60,000
	<hr/>	<hr/>	<hr/>
At 30 June 2017	<b>700,000</b>	<b>648,859</b>	<b>1,348,859</b>
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 July 2016	-	291,570	291,570
Charge for the year	-	75,397	75,397
Disposals	-	(988)	(988)
	<hr/>	<hr/>	<hr/>
At 30 June 2017	-	<b>365,979</b>	<b>365,979</b>
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2017	<b>700,000</b>	<b>282,880</b>	<b>982,880</b>
	<hr/>	<hr/>	<hr/>
At 30 June 2016	640,000	218,791	858,791
	<hr/>	<hr/>	<hr/>

The valuations of land and buildings were made as at 30 June 2017 by Savills, Chartered Surveyors, on an open market basis. The directors consider this to be the current fair value of the property and therefore no depreciation has been charged in line with the accounting policy.

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

	2017 £	2016 £
Cost	755,807	755,807
Accumulated depreciation	(204,000)	(187,000)
	<hr/>	<hr/>
	<b>551,807</b>	<b>568,807</b>
	<hr/>	<hr/>



# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 14 Fixed asset investments

	Listed investments £	Other fixed assets investments £	Total £
<i>Cost or valuation</i>			
At 1 July 2016	20,823,575	-	20,823,575
Additions	9,599,960	164,510	9,764,470
Revaluations	663,997	-	663,997
	<hr/>	<hr/>	<hr/>
At 30 June 2017	<b>31,087,532</b>	<b>164,510</b>	<b>31,252,042</b>
	<hr/>	<hr/>	<hr/>
At 30 June 2016	20,823,575	-	20,823,575
	<hr/>	<hr/>	<hr/>

The other fixed asset investment relates to the investment the company has made in Avalon Newco Limited. The company acquired 51% of the share capital of Avalon Newco Limited on 13 March 2017, an intermediate holding company, registered at the same address as The Avalon Trustee Company Limited (as detailed on the company information page).

### 15 Investment properties

	Total £
<i>Valuation</i>	
At 1 July 2016	5,275,054
Revaluations	(675,054)
	<hr/>
At 30 June 2017	<b>4,600,000</b>
	<hr/>

The investment properties have been revalued at 30 June 2017 to fair value, determined by an independent, professionally qualified valuer. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

The deficit on revaluation of investment property arising has been debited to the profit and loss for the year.

Property rental income earned during the year was £184,350 (2016 - £215,309). At the statement of financial position date the company had contracted with tenants, however subsequent to the year end the properties have been disposed, at values in line with those recorded at the balance sheet date.

# The Avalon Trustee Company Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017

## 16 Debtors

	2017 £	2016 £
<b>Due after more than one year</b>		
Amounts owed by group undertakings	1,769,598	1,583,209
Trade debtors	9,849,031	5,990,806
	<u>11,618,629</u>	<u>7,574,015</u>
<b>Due within one year</b>		
Trade debtors	1,798,164	1,364,335
Other debtors	8,471	16,924
Amounts owed by group undertakings	499,599	-
Prepayments	1,771,749	1,571,127
	<u>4,077,983</u>	<u>2,952,386</u>

The impairment loss recognised in profit or loss for the period in respect of bad and doubtful trade debtors was £nil (2016 - £nil).

Amounts owed by and to group undertakings incur no interest charges. Amounts due within one year are due on demand, amounts due after more than one year are due on 1 July 2018.

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

## 17 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	359,352	241,191
Amounts owed to group undertakings	910,443	57,301
Corporation tax	1,123	1,123
Taxation and social security	238,170	241,977
Other creditors	509,571	373,584
Accruals and deferred income	1,627,579	1,462,536
	<u>3,646,238</u>	<u>2,377,712</u>

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

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

	2017 £	2016 £
Rent deposit paid	9,549	9,549
Accruals and deferred income	8,941,116	6,443,062
	<u>8,950,665</u>	<u>6,452,611</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.

### 19 Provisions

	£
At 1 July 2016 (restated)	(37,068,644)
Net movement in the year	(14,268,984)
	<u>(51,337,628)</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 25.

### 20 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
66,334 (2016 – 66,334) ordinary shares of £1 each	<u>66,334</u>	<u>66,344</u>

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

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### 21 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.

### 22 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 £37,228 (2016 - £29,698). Contributions totalling £11,565 (2016 - £10,826) were payable to the fund at the balance sheet date and are included in creditors.

### 23 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 holds 51% of Avalon Newco Limited which in turn holds 100% of Avalon Direct Limited (formerly Plan My Funeral Avalon Limited). Avalon Direct Limited markets prepaid funeral plans on behalf of The Avalon Trustee Company Limited.

During the period since incorporation on 1 March 2017 of Avalon Direct Limited (formerly Plan My Funeral Avalon Limited), Avalon Direct Limited has earned £995k commission from The Avalon Trustee Company Limited. In settlement of this commission, The Avalon Trustee Company Limited has paid £1,329k of expenses on behalf of Avalon Direct Limited and has also repaid £150k of opening creditors. At the year end, Avalon Direct Limited owes The Avalon Trustee Company Limited £484k.

Avalon Newco Limited owes The Avalon Trustee Company Limited £10k from advances made in the year.

### 24 Ultimate parent undertaking and controlling party

The immediate parent company is Nirvana Holdings Limited, a company registered in England and Wales who prepare consolidated financial statements containing the results of the company.

The ultimate parent undertaking is Tamalow Limited, a company registered in Ireland. There is no majority shareholder of Tamalow Limited which controls the company.

# The Avalon Trustee Company Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 25 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 2017.

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 98% (2016 - 109%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 1 as at 30 June 2017 excluding amounts due to the company comprise:

	2017	2016
	£	£
Listed investments	9,078,119	8,837,421
Investment properties	5,300,000	5,910,000
Bank balances	124,517	270,901
Taxation	(56,000)	-
Other creditors	(31,560)	-
Total	<u>14,415,076</u>	<u>15,018,322</u>

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

	2017	2016
	£	£
Net current and non-current assets excluding amounts due to the company	14,415,076	15,018,322
Actuarial liabilities	<u>(14,753,000)</u>	<u>(13,836,000)</u>
(Deficit)/surplus	<u>(337,924)</u>	<u>1,182,322</u>

#### 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 120% (2016 - 115%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 3 as at 30 June 2017 excluding amounts due to the company comprise:

	2017	2016
	£	£
Listed investments	22,009,452	11,986,155
Bank balances	2,131,120	1,044,190
Creditors	<u>(575,652)</u>	<u>(464,649)</u>
Total	<u>23,564,920</u>	<u>12,565,696</u>

# The Avalon Trustee Company Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017

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

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

	2017	2016
	£	£
Net current and non-current assets excluding amounts due to the company	23,564,920	12,565,696
Actuarial liabilities	(19,651,000)	(10,940,000)
Surplus	<u>3,913,920</u>	<u>1,625,696</u>

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.