

The Avalon Trustee Company Limited

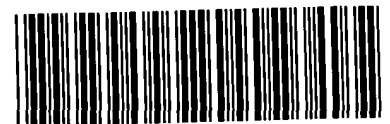
Annual Report and Financial Statements

Year Ended

30 June 2018

Company Number 02836336

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The Avalon Trustee Company Limited

Company Information

Directors	M Dugdale J P Gardner P B Leech
Company secretary	B Evans
Registered number	02836336
Registered office	Unit A2 Brooke Court Handforth Dean Wilmslow Cheshire SK9 3ND
Auditor	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Bankers	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 2018

The directors present the strategic report together with the audited financial statements for the year ended 30 June 2018.

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

The company continued to trade strongly during the year in terms of funeral plans sales. 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. In addition, the prevailing economic uncertainty has impacted the valuation of investments in the year.

Having acquired a 51% stake in the prior year, during the current year the remaining 49% holding in Avalon Newco Limited was also acquired from the former shareholders of Plan My Funeral Limited, in line with the put and call option included in the shareholders' agreement in respect of the initial investment.

Given the performance of Avalon Newco Limited during the earnout period, the remaining 49% was acquired for nil consideration. The Directors have, in addition, provided against the total cost of the investment, based on current performance levels and required restructuring of operations within the acquired entity. Post year end, the decision has been taken to cease trading in Avalon Direct Limited and transfer the trade and assets to The Avalon Trustee Company Limited.

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 24 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 £52,670,027 (2017 - £37,979,996) which compares to the actuarial value of the funeral director liability of £45,696,000 (2017 - £34,404,000). 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 26/3/19 and signed on its behalf.

M Dugdale
Director



The Avalon Trustee Company Limited

Directors' Report For the Year Ended 30 June 2018

The directors present their report together with the audited financial statements for the year ended 30 June 2018.

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 £1,659,061 (2017 - loss £1,578,089).

The directors do not propose a dividend for the year (2017 - £Nil).

Directors

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

M Dugdale
J P Gardner
P B Leech
J Darbyshire (resigned 31 July 2018)
P E H Wilson (resigned 20 July 2018)

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

Post year end, the decision has been taken to cease trading in Avalon Direct Limited and transfer the trade and assets to The Avalon Trustee Company Limited.

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 26th March 2019 and signed on its behalf.



M Dugdale
Director

The Avalon Trustee Company Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2018

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

Opinion

We have audited the financial statements of The Avalon Trustee Company Limited for the year ended 30 June 2018 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 2018 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

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

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

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 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 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
United Kingdom

26 March 2019

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 2018

	Note	2018 £	2017 £
Turnover	4	12,866,384	10,650,863
Cost of sales		(3,364,945)	(4,452,488)
		<hr/>	<hr/>
Gross profit		9,501,439	6,198,375
Administrative expenses		(11,679,560)	(8,760,596)
Other operating income	5	53,699	174,177
Changes in fair value of investment property	15	-	(675,054)
Changes in fair value of investments	13	(1,138,330)	663,997
		<hr/>	<hr/>
Operating loss	6	(3,262,752)	(2,399,101)
Interest receivable and similar income	9	1,603,691	821,118
Interest payable and similar charges	10	-	(106)
		<hr/>	<hr/>
Loss before taxation		(1,659,061)	(1,578,089)
Taxation on loss	11	-	-
		<hr/>	<hr/>
Loss for the financial year attributable to equity holders of the company		(1,659,061)	(1,578,089)
		<hr/>	<hr/>
Revaluation of land and buildings	12	150,001	60,000
		<hr/>	<hr/>
Total comprehensive loss for the financial year attributable to equity holders of the company		(1,509,060)	(1,518,089)
		<hr/>	<hr/>

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 2018

Company number 02836336	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		1,116,161		982,880
Investments	13		48,699,216		31,252,042
Investment property	14		-		4,600,000
			<u>49,815,377</u>		<u>36,834,922</u>
Current assets					
Debtors: amounts falling due after more than one year	15	12,495,126		11,618,629	
Debtors: amounts falling due within one year	15	10,851,348		4,077,983	
Cash at bank and in hand		4,206,031		2,749,473	
		<u>27,552,505</u>		<u>18,446,085</u>	
Creditors: amounts falling due within one year	16	<u>(7,262,446)</u>		<u>(3,646,238)</u>	
Net current assets			<u>20,290,059</u>		<u>14,799,847</u>
Total assets less current liabilities			<u>70,105,436</u>		<u>51,634,769</u>
Creditors: amounts falling due after more than one year	17		<u>(11,585,881)</u>		<u>(8,950,665)</u>
Provisions for liabilities	18		<u>(68,682,139)</u>		<u>(51,337,628)</u>
Net liabilities			<u>(10,162,584)</u>		<u>(8,653,524)</u>
Capital and reserves					
Called up share capital	19		66,334		66,334
Share premium account	20		6,666		6,666
Revaluation reserve	20		-		(150,001)
Profit and loss account	20		<u>(10,235,584)</u>		<u>(8,576,523)</u>
Deficit attributable to owners of the company			<u>(10,162,584)</u>		<u>(8,653,524)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26th March 2019



M Dugdale
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 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/(loss) 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)

Statement of changes in equity for the year ended 30 June 2017

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

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 2018

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 2018 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 2018

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 2018

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 for the year ended 30 June 2018

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 for the year ended 30 June 2018

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 for the year ended 30 June 2018

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 for the year ended 30 June 2018

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
for the year ended 30 June 2018

4 Analysis of Turnover

100% of revenue is attributable to funeral plan revenue (2017 - 98%). Commissions paid for insurance backed funeral plans made up 0% of the revenue balance in the current year (2017 - 2%).

All turnover arose in the UK.

5 Other operating income

	2018 £	2017 £
Loss on funeral enactments	(72,983)	(11,287)
Other operating income	1,631	1,114
Net rent receivable	125,051	184,350
	<u>53,699</u>	<u>174,177</u>

6 Operating loss

	2018 £	2017 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	101,149	75,397
Operating lease expense	-	275
Fees payable to the company's auditor for the audit of the company's annual accounts	17,000	17,000
Defined contribution pension cost	48,681	37,228
Loss on disposal of investment property	154,463	-
	<u></u>	<u></u>

7 Employees

	2018 £	2017 *Restated £
Staff costs (including directors) consist of:		
Wages and salaries	4,469,865	*4,240,132
Social security costs	573,645	484,614
Cost of defined contribution scheme	42,611	37,228
	<u>5,086,121</u>	<u>4,761,974</u>

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

	2018 Number	2017 Number
Sales agents	79	67
Office workers	38	39
Directors	5	5
	<u>122</u>	<u>111</u>

The Avalon Trustee Company Limited

Notes forming part of the financial statements for the year ended 30 June 2018

8 Directors' remuneration

	2018 £	2017 £
Directors' emoluments	-	500,933
Defined contribution pension scheme	-	5,089
	<u>-</u>	<u>506,022</u>

During the prior year, the highest paid director received remuneration of £132,054, inclusive of pension contributions of £2,000.

Note that Directors' emoluments were borne by another group undertaking. During the prior year Directors' emoluments were paid by another group undertaking and were recharged as one net cost to the Company's statement of comprehensive income. The total employee cost in the prior year filed accounts excluded this charge, hence it has been restated to include the cost.

9 Interest receivable and similar income

	2018 £	2017 £
Instalment plan charges	1,603,405	821,118
Interest receivable	286	-
	<u>1,603,691</u>	<u>821,118</u>

10 Interest payable and similar charges

	2018 £	2017 £
Other interest payable	-	106
	<u>-</u>	<u>106</u>

11 Taxation on loss

	2018 £	2017 £
<i>UK corporation tax</i>		
Adjustment in respect of previous periods	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	16,424	12,509
Adjustment in respect of previous periods	(16,424)	(13,244)
Changes to tax rates	-	735
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on loss	<u>-</u>	<u>-</u>

The Avalon Trustee Company Limited

Notes forming part of the financial statements
for the year ended 30 June 2018

11 Taxation on loss (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:

	2018 £	2017 £
Loss before tax	(1,659,061)	(1,578,089)
Loss at the standard rate of corporation tax in the UK of 19% (2017 – 19.75%)	(315,222)	(311,684)
Effects of:		
Fixed asset differences	41,749	-
Expenses not deductible for tax purposes	330,862	218,640
Income not taxable for tax purposes	(31,257)	(131,144)
Adjustments to brought forward values	(54)	
Chargeable gains	5,808	52,141
Adjustment in respect of previous periods	(16,424)	(13,244)
Deferred tax not recognised	(12,106)	98,159
Adjust opening deferred tax to average rate	(157,785)	(127,219)
Adjust closing deferred tax to average rate	154,429	214,351
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 £6,221,719 (2017 - £6,244,581) 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 2018

12 Tangible fixed assets

	Land and buildings £	Other fixed assets £	Total £
<i>Cost or valuation</i>			
At 1 July 2017	700,000	648,859	1,348,859
Additions	-	88,884	88,884
Disposals	-	(23,746)	(23,746)
Revaluations	150,001	-	150,001
	<hr/>	<hr/>	<hr/>
At 30 June 2018	850,001	713,997	1,563,998
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 July 2017	-	365,979	365,979
Charge for the year	-	101,149	101,149
Disposals	-	(19,291)	(19,291)
	<hr/>	<hr/>	<hr/>
At 30 June 2018	-	447,837	447,837
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 30 June 2018	850,001	266,160	1,116,161
	<hr/>	<hr/>	<hr/>
At 30 June 2017	700,000	282,880	982,880
	<hr/>	<hr/>	<hr/>

The property was sold immediately post year-end for £850k. The directors consider this to be the fair value of the property at the year-end.

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

	2018 £	2017 £
Cost	755,807	755,807
Accumulated depreciation	(221,000)	(204,000)
	<hr/>	<hr/>
	534,807	551,807
	<hr/>	<hr/>

The Avalon Trustee Company Limited

Notes forming part of the financial statements
for the year ended 30 June 2018

13 Fixed asset investments

	Listed investments £	Other Fixed Assets Investments £	Total £
<i>Cost or valuation</i>			
At 1 July 2017	31,087,532	164,510	31,252,042
Additions	27,525,014	-	27,525,014
Disposals	(8,775,000)	-	(8,775,000)
Revaluations	(1,138,330)	-	(1,138,330)
Impairment	-	(164,510)	(164,510)
At 30 June 2018	48,699,216	-	48,699,216
At 30 June 2017	31,087,532	164,510	31,252,042

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. The remaining 49% was acquired on 31 March 2018 for £nil consideration. Avalon Newco Limited is an intermediate holding company, registered at the same address as The Avalon Trustee Company Limited (as detailed on the company information page). Based on current performance levels and required restructuring of operations within the acquired entity, the Directors have impaired the cost of investment to £nil.

14 Investment properties

	Total £
<i>Valuation</i>	
At 1 July 2017	4,600,000
Disposals	(4,600,000)
At 30 June 2018	-

The investment properties were disposed of during the year resulting in a loss on disposal of £154,463.

Property rental income earned during the year was £125,051 (2017 - £184,350).

The Avalon Trustee Company Limited

Notes forming part of the financial statements
for the year ended 30 June 2018

15 Debtors

	2018 £	2017 £
Due after more than one year		
Trade debtors	12,495,126	9,849,031
Amounts owed by group undertakings	-	1,769,598
	<u>12,495,126</u>	<u>11,618,629</u>
Due within one year		
Trade debtors	2,418,452	1,798,164
Other debtors	8,297	8,471
Amounts owed by group undertakings	5,795,686	499,599
Prepayments	2,596,644	1,771,749
Corporation tax	32,269	-
	<u>10,851,348</u>	<u>4,077,983</u>

The impairment loss recognised in profit or loss for the period in respect of bad and doubtful trade debtors was £nil (2017 - £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.

16 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	377,371	359,352
Amounts owed to group undertakings	3,693,979	910,443
Corporation tax	-	1,123
Taxation and social security	319,478	238,170
Other creditors	549,318	509,571
Accruals and deferred income	2,322,300	1,627,579
	<u>7,262,446</u>	<u>3,646,238</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
for the year ended 30 June 2018

17 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Other creditors	-	9,549
Accruals and deferred income	11,585,881	8,941,116
	<u>11,585,881</u>	<u>8,950,665</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.

18 Provisions

	£
At 1 July 2017	(51,337,628)
Net movement in the year	(17,344,511)
	<u>(68,682,139)</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.

The Avalon Trustee Company Limited

Notes forming part of the financial statements for the year ended 30 June 2018

19 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
66,334 (2017 – 66,334) ordinary shares of £1 each	66,334	66,344

20 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.

21 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 £48,681 (2017 - £37,228). Contributions totalling £54,982 (2017 - £11,565) were payable to the fund at the balance sheet date and are included in creditors.

22 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 held 51% of Avalon Newco Limited upto 31 March 2018, when at this date, the remaining 49% was purchased. This is explained in note 13. Avalon Newco Limited in turn holds 100% of Avalon Direct Limited. Avalon Direct Limited markets prepaid funeral plans on behalf of The Avalon Trustee Company Limited.

During the period 1 July 2017 to 31 March 2018 Avalon Direct Limited earned £1,655,671 (2017 £1,329,000) commission from The Avalon Trustee Company Limited. The Avalon Trustee Company Limited has also paid £3,260,650 (2017 £150,000) of expenses on behalf of Avalon Direct Limited.

23 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.

The Avalon Trustee Company Limited

Notes forming part of the financial statements
for the year ended 30 June 2018

24 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 2018.

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% (2017 - 98%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 1 as at 30 June 2018 excluding amounts due to the company comprise:

	2018 £	2017 £
Listed investments	12,033,512	9,078,119
Investment properties	850,001	5,300,000
Bank balances	1,015,599	124,517
Taxation	(51,287)	(56,000)
Other creditors	(46,511)	(31,560)
Total	<u>13,801,314</u>	<u>14,415,076</u>

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

	2018 £	2017 £
Net current and non-current assets excluding amounts due to the company	13,801,314	14,415,076
Actuarial liabilities	<u>(14,315,000)</u>	<u>(14,753,000)</u>
Deficit	<u>(513,686)</u>	<u>(337,924)</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 124% (2017 - 120%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 3 as at 30 June 2018 excluding amounts due to the company comprise:

	2018 £	2017 £
Listed investments	36,665,703	22,009,452
Bank balances	2,504,165	2,131,120
Creditors	<u>(301,155)</u>	<u>(575,652)</u>
Total	<u>38,868,713</u>	<u>23,564,920</u>

The Avalon Trustee Company Limited

Notes forming part of the financial statements for the year ended 30 June 2018

24 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:

	2018 £	2017 £
Net current and non-current assets excluding amounts due to the company	38,868,713	23,564,920
Actuarial liabilities	(31,381,000)	(19,651,000)
Surplus	7,487,713	3,913,920

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.

25 Post balance sheet event

Post year end, the decision has been taken to cease trading in Avalon Direct Limited and transfer the trade and assets to The Avalon Trustee Company Limited.