

The Avalon Trustee Company Limited

Annual Report and Financial Statements

Year Ended

30 June 2021

Company Number 02836336



The Avalon Trustee Company Limited

Company Information

Directors	J P Gardner C M Porter J Simpson S J Stevenson
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 2021

The directors present the strategic report together with the audited financial statements for the year ended 30 June 2021.

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

At the start of 2020/21 the country was coming out of the first national Covid-19 lockdown. During that first lockdown, the major sales channel in the UK (face to face home visits) had shut down completely, the majority of the sales force and a proportion of other staff were on furlough and remaining staff had moved rapidly to homeworking with the focus on maintaining the standard of service for existing and new customers. In addition, the number of funerals provided in the last quarter of 2019/20 had increased by 60% year on year with Government restrictions meaning that many customers were unable to have the funerals they had planned. The investments held to supply customers' funerals had suffered a shock fall as a result of the impact of the pandemic on the financial markets but had recovered much of their lost growth by June 2020.

Towards the end of 2019/20, our face to face salesforce started to return to work, selling through video calls from home. Development of this channel continued into 2020/21 and this is now a key channel for sales. The resulting efficiency savings resulted in a much smaller salesforce being required than previously, with an associated significant reduction in costs which strengthens the position of the company going forward. Some of these savings are being used to strengthen the infrastructure ahead of FCA authorisation.

To manage cashflow during the initial months of the pandemic, payment of some creditors was deferred. Payment plans were agreed with all these creditors and all were fully repaid by December 2021. Use of the Government's furlough scheme continued in 2020/21, totalling assistance of £572k.

In January 2021, the Treasury made legislation bringing the sale and administration of funeral plans within the Financial Conduct Authority's (FCA's) remit, following concerns raised in the media and by consumer groups about the conduct and financial soundness of some pre-paid funeral plan providers. This is a move that the company wholeheartedly welcomes. The FCA's policy statement for funeral plans was released in July 2021, with the application window opening in September 2021. From 29th July 2022, firms which have not been authorised by the FCA are unable to sell or administer funeral plans. The Avalon Trustee Company Limited submitted its application in October 2021 and, in June 2022, received confirmation from the FCA that they were 'intending to authorise' the company from 29th July 2022. As of 29th July 2022, the company is authorised and regulated by the Financial Conduct Authority, registration number 965284. The registration can be seen on the Financial Services Register <https://www.fca.org.uk/firms/financial-services-register>. The new regulation touches every corner of our operations and achieving authorisation has required a tremendous, coordinated effort from everyone in the business. The directors look forward to building further on the high standards required by the FCA and to continuing to provide our customers with the best possible service and the increased peace of mind the new regulation will bring them.

The statement of comprehensive income is disclosed on page 9. The profit in the year represents the recovery of the value of the investments following the pandemic plus significant growth in the year offset by the deferral of profit on instalment plans under the company's revenue recognition policy and the fall in sales as a result of the pandemic and turbulence in the market caused by imminent FCA regulation.

The Avalon Trustee Company Limited

Strategic Report (continued) For the Year Ended 30 June 2021

Principal risks and uncertainties

The major operational risk affecting the company is the relative levels of future inflation affecting funeral costs against investment returns achievable on the Trust's assets. To help manage and control such risks, the Trusts, which are independently administered, are actuarially valued annually and the assets are managed by independent investment managers. In addition the company continues to operate these trusts with higher levels of headroom than the FCA's guidelines.

The FCA's policy statement for funeral plans was released in July 2021, with the application window opening in September 2021. From 29th July 2022, firms which have not been authorised by the FCA will be unable to sell or administer funeral plans. The Avalon Trustee Company Limited submitted its application in October 2021 and, in June 2022, received confirmation from the FCA that they are 'intending to authorise' the company from 29th July 2022. Given this, it can reasonably be anticipated that the company will be authorised on 29th July 2022 and will be able to continue to trade. However, in the unlikely circumstance that it is not authorised, the company would be unable to trade from 29th July 2022. In such a scenario the company has sufficient resources to affect an orderly winddown with a view to transferring the trusts to another provider in order to safeguard consumers.

While vaccinations are currently enabling a return to normal life, there is the possibility that variants of Covid-19 could lead to further lockdowns being required and further increases in enactments. The directors are confident that the company's new working practices would allow business to continue and thrive under such circumstances.

Financial key performance indicators

A key performance indicator for the company is the surplus of assets held in The Avalon Funeral Trusts No 1 and 3 over the actuarial value of the funeral director liability which at year end was a 33% surplus at year end (2020 (restated) 34%).

As detailed in note 23 The Avalon Funeral Trusts No 1 and 3 are schemes for the pre arrangement of and pre funding of funeral services whose assets, liabilities and income and expenditure are consolidated into these financial statements. At the year end the total value of assets of the Avalon Funeral Trusts No 1 and 3 amounted to £143,885,869 (2020 £141,397,990) which compares to the actuarial value of the funeral director liability of £107,708,000 (2020 (restated) £105,908,000). 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

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. The exact timing of individual enactments and/or cancellations is unknown but is managed through a statistically significant actuarial model which is independently audited. In order to meet the payments required in settling the provision, the company will utilise its investments and cash resources, however there remains, however unlikely, 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.

During 2020/21, the business received support totalling £572k from the Government through its furlough scheme.

The pandemic has driven significant changes to the businesses sales model, with all direct sales now being carried out remotely, either by telephone or by video call, resulting in a more robust structure going forward and

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Strategic Report (continued) For the Year Ended 30 June 2021

significant ongoing cost savings. As a result, the business is less sensitive to shocks such as pandemics going forward.

From 29th July 2022, firms which have not been authorised by the FCA are unable to sell or administer funeral plans. The Avalon Trustee Company Limited is now authorised and regulated by the Financial Conduct Authority, registration number 965284 and will continue to both sell and administer funeral plans.

In considering the appropriateness of the going concern basis, the directors have considered an extreme stress case and are confident that the company holds sufficient cash reserves to be able to meet its liabilities even under this extreme case.

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.

This report was approved by the board on 29th July 2022 and signed on its behalf.



J Simpson
Director

The Avalon Trustee Company Limited

Directors' Report For the Year Ended 30 June 2021

The directors present their report together with the audited financial statements for the year ended 30 June 2021.

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 pages 1 and 2 of the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £5,182,440 (2020 - loss £2,615,580). The improvement over the prior year was driven by the strong performance of the investments in the year.

The directors do not propose a dividend for the year (2020 - £Nil).

Directors

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

J P Gardner
C M Porter
J Simpson (appointed 4 January 2022)
S J Stevenson
S Townsley (resigned 3 June 2021)

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

Since year end, FCA regulation of the funeral planning market has come into place. The company was authorised on 29th July 2022 and is now regulated by the FCA.

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 29th July 2022 and signed on its behalf.



J Simpson
Director

The Avalon Trustee Company Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2021

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 on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its profit 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.

We have audited the financial statements of The Avalon Trustee Company Limited ("the Company") for the year ended 30 June 2021 which comprise the Statements 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).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

The Avalon Trustee Company Limited

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

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial

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

statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, Financial Reporting Standard 102, the UK Companies Act 2006 and those that relate to the payment of employees. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with existence of revenue on both lump sum and instalment plans as well as accuracy of revenue recognised. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to, cancellation provisions, recognition of turnover for funeral plan sales and maturity of trade debtors and deferred income;
- Testing controls related to recognition of new and enacted plans in the period alongside treatment of existing plans;
- Revenue year end cut-off procedures;
- Testing for manual manipulation and inconsistencies within the spreadsheets used by management for the purposes of revenue accounting;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords and manual journals to revenue and cash;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Review of minutes of Board meetings throughout the period and to the date of signing the financial statements;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

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

DocuSigned by:

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Date 29 July 2022

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 2021

	Note	2021 £	2020 £
Turnover	4	3,006,937	6,951,099
Cost of sales		(938,557)	(875,339)
Gross profit		2,068,380	6,075,760
Administrative expenses		(6,071,402)	(9,833,939)
Other operating income	5	439,416	422,864
Changes in fair value of investments	13	10,030,136	(744,221)
Operating profit/(loss)	6	6,466,530	(4,079,536)
Interest receivable and similar income	9	529,267	1,464,181
Interest payable and similar charges	10	-	(225)
Profit/(loss) before taxation		6,995,797	(2,615,580)
Taxation on profit/(loss)	11	(1,813,537)	-
Total comprehensive profit/(loss) for the financial year attributable to equity holders of the company		5,182,260	(2,615,580)

The notes on pages 12 to 28 form part of these financial statements.

The Avalon Trustee Company Limited

Statement of financial position at 30 June 2021

Company number 02836336	Note	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	12		148,319		204,595
Investments	13		84,816,167		72,282,117
			<u>84,964,486</u>		<u>72,486,712</u>
Current assets					
Debtors: amounts falling due after more than one year	14	10,142,015		13,369,057	
Debtors: amounts falling due within one year	14	17,474,260		18,250,204	
Cash at bank and in hand		2,796,727		2,706,853	
		<u>30,413,002</u>		<u>34,326,114</u>	
Creditors: amounts falling due within one year	15	(8,068,387)		(10,723,955)	
Net current assets			<u>22,344,615</u>		<u>23,602,159</u>
Total assets less current liabilities			<u>107,309,101</u>		<u>96,088,871</u>
Creditors: amounts falling due after more than one year	16		(18,604,158)		(19,577,466)
Provisions for liabilities	17		(100,569,899)		(93,558,621)
Net liabilities			<u>(11,864,956)</u>		<u>(17,047,216)</u>
Capital and reserves					
Called up share capital	18		66,334		66,334
Share premium account	19		6,666		6,666
Profit and loss account	19		(11,937,956)		(17,120,216)
Deficit attributable to owners of the company			<u>(11,864,956)</u>		<u>(17,047,216)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 29th July 2022.



J Simpson
Director

The notes on pages 12 to 28 form part of these financial statements.

The Avalon Trustee Company Limited

Statement of changes in equity for the year ended 30 June 2021

	Share capital £	Share premium £	Profit and loss account £	Total equity £
1 July 2020	66,334	6,666	(17,120,216)	(17,047,216)
Comprehensive profit for the year				
Profit for the year	-	-	5,182,260	5,182,260
Total comprehensive profit for the year	-	-	5,182,260	5,182,260
30 June 2021	66,334	6,666	(11,937,956)	(11,864,956)

Statement of changes in equity for the year ended 30 June 2020

	Share capital £	Share premium £	Profit and loss account £	Total equity £
1 July 2019	66,334	6,666	(14,504,636)	(14,431,636)
Comprehensive loss for the year				
Loss for the year	-	-	(2,615,580)	(2,615,580)
Total comprehensive loss for the year	-	-	(2,615,580)	(2,615,580)
30 June 2020	66,334	6,666	(17,120,216)	(17,047,216)

The notes on pages 12 to 28 form part of these financial statements.

The Avalon Trustee Company Limited

Notes forming part of the financial statements for the year ended 30 June 2021

1. General information

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

This information is included in the consolidated financial statements of Nirvana Holdings Limited as at 30 June 2020 and these financial statements may be obtained from Companies House.

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. The exact timing of individual enactments and/or cancellations is unknown but is managed through a statistically significant actuarial model which is independently audited. In order to meet the payments required in settling the provision, the company will utilise its investments and cash resources, however there remains, however unlikely, 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.

During 2020/21, the business received support totalling £572k from the Government through its furlough scheme.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued) for the year ended 30 June 2021

2. Accounting policies (continued)

2.3 Going concern (continued)

The pandemic has driven significant changes to the businesses sales model, with all direct sales now being carried out remotely, either by telephone or by video call, resulting in a more robust structure going forward and significant ongoing cost savings. As a result, the business is less sensitive to shocks such as pandemics going forward.

From 29th July 2022, firms which have not been authorised by the FCA are unable to sell or administer funeral plans. The Avalon Trustee Company Limited is now authorised and regulated by the Financial Conduct Authority, registration number 965284 and will continue to both sell and administer funeral plans.

In considering the appropriateness of the going concern basis, the directors have considered an extreme stress case and are confident that the company holds sufficient cash reserves to be able to meet its liabilities even under this extreme case.

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 mainly comprises government support received through the pandemic via the Coronavirus Job Support Scheme.

2.6 Government grants

Grants of a revenue nature are recognised in "other income" within the statement of comprehensive income in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough').

The company has not directly benefited from any other forms of government assistance.

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Notes forming part of the financial statements (continued) for the year ended 30 June 2021

2. Accounting policies (continued)

2.7 Tangible fixed assets

Tangible fixed assets under the cost model 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.

2.8 Valuation of investments

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

2.9 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.

2.10 Cash

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

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Notes forming part of the financial statements (continued) for the year ended 30 June 2021

2. Accounting policies (continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 Financial instruments

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

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

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued) for the year ended 30 June 2021

2. Accounting policies (continued)

2.16 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 undiscounted, 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.

2.17 Current and deferred tax

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

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

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

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

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

The Avalon Trustee Company Limited

**Notes forming part of the financial statements (continued)
for the year ended 30 June 2021**

2. Accounting policies (continued)

2.18 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.

2.19 Pre arranged funeral plans

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

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued) for the year ended 30 June 2021

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 maturity of trade debtors and deferred income is an estimated position, based on the average length of active instalment plans. Given the number of active funeral plans it is not practicable to calculate the maturity profile of trade debtors and deferred income on an individual plan by plan basis.
- Turnover for funeral plan sales is recognised as described in note 2. In applying the revenue recognition policy the key judgements applied by the directors relate to:
 - i. The assessment of the services provided in arranging the funeral plan having regard to the benefit transferred to the customer in signing up to a plan, based on the nature of the funeral plans entered into. Typically the fair value of the services and the related benefit equates to the difference between a fully paid plan on inception and the agreed cost of the funeral at that date.
 - ii. The likelihood of cancellation of funeral plans, and the value of the cancellation provision, based on historic experience of cancellation rates of funeral plans.
 - iii. The conclusion as to whether the company acts as a principal or agent with regard to the provision of funerals. As the company's principal activity is the sale of funeral plans, and the company enters a contract on behalf of the customer with a funeral director to provide the funeral and all related services, the directors believe that the company is acting as a principal in the sale of a funeral plan, but as an agent in the provision of a funeral, on the basis that when another party is involved in providing goods or services to a customer, the directors are required to determine whether the nature of its promise to the customer is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for the other party to provide those goods or services (i.e. the entity is an agent). The directors have concluded, on the basis the funeral is provided by a third party funeral director and the company has contracted with the funeral director on behalf of the specified customer at the inception of the funeral plan, that the company is an agent in the provision of the funeral.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

4 Analysis of Turnover

100% of revenue is attributable to funeral plan revenue (2020 - 100%).

All turnover arose in the UK.

5 Other operating income

	2021 £	2020 £
Loss on funeral enactments	(133,597)	(114,083)
Profit on disposal of fixed assets	1,175	-
Coronavirus job retention scheme grant	571,838	536,947
	<u>439,416</u>	<u>422,864</u>

6 Operating loss

	2021 £	2020 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	90,289	119,989
Operating lease expense	78,139	84,227
Fees payable to the company's auditor for the audit of the company's annual accounts	29,200	23,200
Defined contribution pension cost	57,922	98,537
	<u></u>	<u></u>

7 Employees

	2021 £	2020 £
Staff costs (including directors) consist of:		
Wages and salaries	2,648,242	3,915,080
Social security costs	353,186	516,072
Cost of defined contribution scheme	57,922	98,537
	<u>3,059,350</u>	<u>4,529,689</u>

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

7 Employees (continued)

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

	2021 Number	2020 Number
Sales agents	43	80
Office workers	31	38
Directors	4	4
	<hr/>	<hr/>
	78	122
	<hr/>	<hr/>

8 Directors' remuneration

Directors' emoluments were borne by another group undertaking in both years.

9 Interest receivable and similar income

	2021	2020
	£	£
Instalment plan charges	529,245	1,464,181
Interest receivable	22	-
	<hr/>	<hr/>
	529,267	1,464,181
	<hr/>	<hr/>

10 Interest payable and similar charges

	2021	2020
	£	£
Other interest payable	-	225
	<hr/>	<hr/>

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

11 Taxation on loss

	2021 £	2020 £
<i>UK corporation tax</i>		
UK corporation tax at 19.00% (2020 19.00%)	-	-
Total current tax	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	1,813,537	116,538
Adjustment in respect of previous periods	-	(104,271)
Effect of tax rate change on opening balance	-	(12,267)
Total deferred tax	1,813,537	-
Taxation on loss	1,813,537	-

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:

	2021 £	2020 £
Profit/(loss) before tax	6,995,797	(2,615,580)
Loss at the standard rate of corporation tax in the UK of 19% (2020 – 19%)	(1,329,202)	(496,960)
Effects of:		
Fixed asset differences	-	109
Expenses not deductible for tax purposes	132,651	333,555
Income not taxable for tax purposes	(1,905,726)	(104,436)
Other tax adjustments, reliefs and transfers	-	-
Chargeable gains	1,813,537	21,752
Group relief surrendered	829,322	44,435
Adjustments to tax charges in respect of previous periods – deferred tax	-	(104,271)
Remeasurement of deferred tax for changes in tax rates	-	(206,412)
Movement in deferred tax not recognised	(367,314)	512,228
Difference in tax rates	(18,135)	-
Total tax charge	1,813,537	-

The current rate of UK corporation tax is 19%. In the March 2020 budget, the legislation to reduce the main rate of corporation tax to 17% was cancelled and the main rate of corporate tax will remain at 19% from 1 April 2020 and 1 April 2021.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued) for the year ended 30 June 2021

11 Taxation on loss (continued)

In the March 2021 budget, legislation to increase the main rate of corporation tax to 25% from 1 April 2023 was announced. This was not substantively enacted at the balance sheet date and is therefore not recognised in these financial statements.

The company has tax losses available of £9,602,533 (2020 - £11,407,782) 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.

12 Tangible fixed assets

	Other fixed assets £	Total £
<i>Cost or valuation</i>		
At 1 July 2020	644,596	644,596
Additions	45,251	45,521
Disposals	(17,013)	(17,013)
	<hr/>	<hr/>
At 30 June 2021	672,834	672,834
	<hr/>	<hr/>
<i>Depreciation</i>		
At 1 July 2020	440,001	440,001
Charge for the year	90,289	90,289
Disposals	(5,775)	(5,775)
	<hr/>	<hr/>
At 30 June 2021	524,515	524,515
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 June 2021	148,319	148,319
	<hr/>	<hr/>
At 30 June 2020	204,595	204,595
	<hr/>	<hr/>

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

13 Investments

	Listed investments £	Total £
<i>Cost or valuation</i>		
At 1 July 2020	72,282,117	72,282,117
Additions	6,507,576	6,507,576
Disposals	(4,003,662)	(4,003,662)
Revaluations	10,030,136	10,030,136
	<hr/>	<hr/>
At 30 June 2021	84,816,167	84,816,167
	<hr/>	<hr/>
At 30 June 2020	72,282,117	72,282,117
	<hr/>	<hr/>

14 Debtors

	2021 £	2020 £
Due after more than one year		
Trade debtors	10,142,015	13,369,057
	<hr/>	<hr/>
	10,142,015	13,369,057
	<hr/>	<hr/>
Due within one year		
Trade debtors	1,242,721	2,398,924
Amounts owed by group undertakings	13,242,882	11,913,737
Prepayments	2,988,657	3,908,514
Corporation tax	-	29,029
	<hr/>	<hr/>
	17,474,260	18,250,204
	<hr/>	<hr/>

The impairment loss recognised in profit or loss for the period in respect of bad and doubtful trade debtors was £nil (2020 - £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.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

15 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	427,194	103,241
Amounts owed to group undertakings	4,057,860	6,909,628
Taxation and social security	367,862	374,306
Bank loan	50,000	-
Other creditors	272,116	302,271
Accruals and deferred income	2,893,355	3,034,509
	<u>8,068,387</u>	<u>10,723,955</u>

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

16 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Accruals and deferred income	18,604,158	19,577,466
	<u>18,604,158</u>	<u>19,577,466</u>

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

17 Provisions

	Deferred tax £	Funeral provision £	Total £
At 1 July 2020	-	(93,558,621)	(93,558,621)
Net movement in the year	(1,813,537)	(5,197,741)	(7,011,278)
	<u>(1,813,537)</u>	<u>(98,756,362)</u>	<u>(100,569,899)</u>

Funeral provision

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 be discounted and 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 23.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

17 Provisions (continued)

Deferred tax

	Capital gains £	Fixed asset timing differences £	Total £
As at 30 June 2021			
Deferred tax liability	1,813,537	-	1,813,537
As at 30 June 2020			
Deferred tax liability	-	-	-

It should be noted that reversals (or further increases in deferred tax balances) may arise as a result of revaluations of listed investments. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate future reversals.

18 Share capital

	2021 £	2020 £
<i>Allotted, called up and fully paid</i>		
66,334 (2020 – 66,334) ordinary shares of £1 each	66,334	66,334

19 Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Share premium

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

Profit and loss account

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

20 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £57,922 (2020 - £98,537). Contributions totalling £31,537 (2020 - £56,988) were payable to the fund at the balance sheet date and are included in creditors.

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued) for the year ended 30 June 2021

21 Related party transactions

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

22 Ultimate parent undertaking and controlling party

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

23 The Avalon Funeral Trusts No 1 & 3

A formal independent actuarial review of the Avalon Funeral Trusts Nos 1 and 3 has been prepared as at 30 June 2021. In preparation for FCA regulation starting 29th July 2022, the actuarial valuation for 30 June 2021 has been prepared on a best estimate basis in line with FCA guidance. For comparison, the 30 June 2020 figures have been restated on the same basis. This has resulted in a £26,478k improvement to the surplus in Trust No 3 at 30 June 2020 compared to the 30 June 2020 accounts.

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 104% (2020 (restated) - 94%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 1 as at 30 June 2021 excluding amounts due to the company comprise:

	2021 £	2020 £
Listed investments	15,117,155	13,335,117
Prepayments	6,805	-
Bank balances	345,835	311,705
Taxation	(125,509)	(103,621)
Other creditors	(73,710)	(35,704)
Total	15,270,576	13,507,497

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

23 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:

	2021 £	2020 (restated) £
Net current and non-current assets excluding amounts due to the company	15,270,576	13,507,497
Present value of future instalments	1,144,000	1,731,000
Total value of assets	16,414,576	15,238,497
Actuarial liabilities	(15,792,000)	(16,249,000)
Surplus/(deficit)	622,576	(1,010,503)

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 139% (2020 (restated) - 141%) of the actuarial liabilities.

The net current and non-current assets of the Avalon Funeral Trust No. 3 as at 30 June 2021 excluding amounts due to the company comprise:

	2021 £	2020 £
Listed investments	69,689,950	58,773,139
Prepayments	41,427	-
Bank balances	268,817	2,032,342
Creditors	(639,271)	(142,988)
Total	69,360,923	60,662,493

The Avalon Trustee Company Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2021

23 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:

	2021 £	2020 (restated) £
Net current and non-current assets excluding amounts due to the company	69,360,293	60,662,493
Present value of future instalments	58,111,000	65,497,000
Total value of assets	127,471,293	126,159,493
Actuarial liabilities	(91,916,000)	(89,659,000)
Surplus	35,555,293	36,500,493

For the purposes of the actuarial calculations 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.

The best estimate basis as per FCA guidance differs from the method previously used in two ways. Firstly, the present value of future instalments is included in the calculation of the total value of assets whereas previously it was taken into account in the calculation of the actuarial liabilities. Secondly, the present value of future premiums is unrestricted where previously there was no allowance for premiums which exceeded the value of the actuarial liability.

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.

24 Operating lease commitments

	2021 £	2020 £
Not later than 1 year	77,265	74,327
Later than 1 year and not later than 5 years	96,783	185,818
	174,048	260,145