

**THE AVALON TRUSTEE COMPANY
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1998

Company Number : 2836336



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THE AVALON TRUSTEE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

Company registration number:

2836336

Registered office:

Portland Buildings
127/129 Portland Street
Manchester
M1 4PZ

Directors:

Mr M Cooper
Mr N D Warr

Secretary:

Mrs C Cooper

Bankers:

Barclays Bank Plc

Solicitors:

Wragge & Co

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
Manchester

THE AVALON TRUSTEE COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

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THE AVALON TRUSTEE COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 June 1998.

Principal activities

The company is principally engaged in the marketing of pre-arranged funeral plans and the making of arrangements for funerals of members of the scheme.

Business review

In our third year of actual trading, Avalon has further established itself in the funeral plan market place. We have experienced a 19% increase in turnover which is in line with our forecasts. This growth is due to the successful marketing of our plans and their true value being accepted by the consumer over other products available in this competitive arena.

Since the year end the company has seen further increases in annual turnover arising from plan sales, and also from recognised gains from the sale of investments held by the Avalon Funeral Trust. Management accounts for the year ended 30 June 1999 indicate that the company has made a profit for the year. We are pleased to note that as at 30 June 1998 our reporting actuary disclosed that there were 103% of assets to liabilities in the trust fund, Avalon waiving its rights to any surplus.

As more people recognise the value of prepaying for their funeral expenses we fully expect Avalon to be appropriately situated to maximise its full potential.

In order to provide security to the scheme members, all payments received are paid directly to the Avalon Funeral Trust (AFT). The assets of the AFT are used to meet the future funeral obligations and are entirely separate and independent from the company. The majority of the AFT funds are invested in Unit Trusts, Gilts and interest bearing bank accounts.

Since the year end, the company has been working to improve its accounting records and systems and we expect these new systems to be fully operational in the near future.

There was a loss for the year after taxation amounting to £18,327 (1997 : £19,290). In view of the loss the directors do not recommend payment of a dividend.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors in the shares of the company as at 1 July 1997 and 30 June 1998 were as follows :

	30 June 1998 Number of shares	1 July 1997 Number of shares
M Cooper	25,000	25,000
N D Warr	8,334	8,334

THE AVALON TRUSTEE COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to :

- i select suitable accounting policies and then apply them consistently
- ii make judgements and estimates that are reasonable and prudent
- iii 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company is in the process of assessing the risks resulting from this issue. When the analysis is complete, the company will consider the likely impact on the business, develop action plans to deal with the key risks, and estimate the costs to be incurred.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

Small company exemption

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD

Mr M Cooper
Director



29 July 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE AVALON TRUSTEE COMPANY LIMITED**

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and under the accounting policies set out on page 5.

Respective responsibilities of the directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the company did not maintain accounting records at any time which were sufficient to disclose with reasonable accuracy, the financial position of the company. Whilst the accounting records contained entries from day to day of money received and expended, the profit or loss of the company and the assets and liabilities of the company could not be accurately determined without further detailed records being created. In respect of the year ended 30 June 1998 these records were created after the year end and made available for audit.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the future trading prospects of the company.

We draw your attention to the going concern basis used in preparation of these financial statements as referred to on page 5 and to note 15 in respect of the Avalon Funeral Trust.

Although at 30 June 1998 the company had net liabilities of £95,456, the directors consider that it is appropriate to prepare the financial statements on a going concern basis given that management accounts prepared for the year ended 30 June 1999 show an increase in income from plan sales which taken together with gains realised on sale of investments indicate the company has made a profit for the year. Our opinion is not qualified in this respect.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE AVALON TRUSTEE COMPANY LIMITED**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect of the year ended 30 June 1998 :

- in our opinion full and proper accounting records as required by Section 221 of the Companies Act 1985 had not been maintained throughout the year.

A handwritten signature in black ink, appearing to read 'Grant Thornton', is written over a horizontal line.

**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER**

29 July 1999

THE AVALON TRUSTEE COMPANY LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and on a going concern basis.

Although at 30 June 1998 the company had net liabilities of £95,456, the directors consider that it is appropriate to prepare the financial statements on a going concern basis given that management accounts prepared for the year ended 30 June 1999 show an increase in income from plan sales which taken together with gains realised on sale of investments indicate the company has made a profit for the year.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for services provided excluding VAT and trade discounts.

Turnover for plan sales is recognised immediately and offset by the cost of providing the service, as agreed with the relevant funeral director. Each year until the funeral is performed, the investment income and increased cost of the future funeral are accrued and recognised in the profit and loss account.

The accumulated amounts due from Avalon Funeral Trust and due to each funeral director are shown gross on the balance sheet, the latter being described as "Obligations to Funeral Directors".

DEPRECIATION

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful lives.

The periods generally applicable are:

Office equipment	15%
Computer equipment	33 1/3%

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

THE AVALON TRUSTEE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 1998

	Note	1998 £	1997 £
Turnover		398,586	335,568
Cost of sales		<u>267,310</u>	<u>236,406</u>
Gross profit		131,276	99,162
Other operating income and charges	2	<u>149,351</u>	<u>118,349</u>
Operating loss		(18,075)	(19,187)
Net interest	3	<u>252</u>	<u>103</u>
Loss on ordinary activities before taxation	1	(18,327)	(19,290)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	12	<u><u>(18,327)</u></u>	<u><u>(19,290)</u></u>

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

THE AVALON TRUSTEE COMPANY LIMITED

BALANCE SHEET AT 30 JUNE 1998

	Note	£	1998 £	1997 £
Fixed assets				
Tangible assets	6		3,213	3,061
Current assets				
Debtors:				
Falling due within one year	7	15,429		10,516
Falling due after more than one year	8	606,003		376,030
		<u>621,432</u>		<u>386,546</u>
Cash at bank and in hand		2,674		306
		<u>624,106</u>		<u>386,852</u>
Creditors : amounts falling due within one year	9	89,130		31,576
Net current assets			<u>534,976</u>	<u>355,276</u>
Total assets less current liabilities			538,189	358,337
Creditors: amounts falling due after more than one year				
	10		633,645	435,466
			<u>(95,456)</u>	<u>(77,129)</u>
Capital and reserves				
Called up share capital	11		33,334	33,334
Share premium account	12		6,666	6,666
Adverse profit and loss account	12		(135,456)	(117,129)
			<u>(95,456)</u>	<u>(77,129)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board of Directors on 29 July 1999.

M Cooper )
 N D Warr) Directors

The accompanying accounting policies and notes form an integral part of these financial statements.

THE AVALON TRUSTEE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

1 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
The loss on ordinary activities is stated after:		
Auditors' remuneration	3,100	3,500
Depreciation: Tangible fixed assets, owned	869	737
Other operating lease rentals	1,550	1,154
	<u>1,550</u>	<u>1,154</u>

2 OTHER OPERATING INCOME AND CHARGES

	1998	1997
	£	£
Other operating income	(320)	(1,542)
Staff costs	42,280	38,077
Depreciation	869	737
Other operating charges	106,522	81,077
	<u>149,351</u>	<u>118,349</u>

3 NET INTEREST

	1998	1997
	£	£
On bank overdraft	252	80
Other interest payable	-	23
	<u>252</u>	<u>103</u>

4 DIRECTORS

	1998	1997
	£	£
Director's remuneration	21,102	24,000
	<u>21,102</u>	<u>24,000</u>

5 TAX ON LOSS ON ORDINARY ACTIVITIES

Subject to agreement with H M Inspector of Taxes, estimated unrelieved tax losses of £121,500 remain available to offset against future taxable trading profits.

THE AVALON TRUSTEE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

6 TANGIBLE FIXED ASSETS

	Fixtures, fittings and computer equipment
	£
Cost	
At 1 July 1997	4,257
Additions	1,021
At 30 June 1998	<u>5,278</u>
Depreciation	
At 1 July 1997	1,196
Provided in the period	869
At 30 June 1998	<u>2,065</u>
Net book amount at 30 June 1998	<u>3,213</u>
Net book amount at 30 June 1997	<u>3,061</u>

7 DEBTORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£	£
Other debtors	3,966	2,090
Prepayments	11,463	8,426
	<u>15,429</u>	<u>10,516</u>

8 DEBTORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998	1997
	£	£
Amounts owed by Avalon Funeral Trust	560,040	352,899
Prepayments	45,963	23,131
	<u>606,003</u>	<u>376,030</u>

The Avalon Funeral Trust is independently administered to provide for the funeral expense of plan holders. Amounts are received by the company in direct relation to the crystallisation of liabilities to funeral directors. Accordingly, the amounts believed to be due within one year are indeterminate.

THE AVALON TRUSTEE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998	1997
	£	£
Bank overdraft	-	1,655
Trade creditors	14,979	17,526
Social security and other taxes	1,342	1,926
Other creditors	41,858	1,078
Accruals	30,951	9,391
	<u>89,130</u>	<u>31,576</u>

10 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998	1997
	£	£
Obligations to funeral directors	628,625	396,375
Other creditors	5,020	39,091
	<u>633,645</u>	<u>435,466</u>

The obligations to funeral directors will fall due for payment when each funeral falls to be performed and as such the amount is not capable of being split into periods of within one year, after one and within two years, after two and within five years and after five years. Similarly the amounts owed by Avalon Funeral Trust (note 8) will be received as each funeral falls to be performed.

Other creditors are not payable by instalments and are due after more than one year from the balance sheet date.

11 SHARE CAPITAL

	1998	1997
	£	£
Authorised 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted called up and fully paid 33,334 ordinary shares of £1 each	<u>33,334</u>	<u>33,334</u>

THE AVALON TRUSTEE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998

12 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Adverse profit and loss account £
At 1 January 1997	6,666	(117,129)
Loss for the financial year	-	(18,327)
At 30 June 1998	<u>6,666</u>	<u>(135,456)</u>

The balance on the share premium account may not be distributed legally under Section 263/264 of the Companies Act 1985.

13 LEASING COMMITMENTS

Operating lease payments amounting to £7,378 (1997: £7,386) are due within one year. The leases to which these amounts relate expire as follows:

	1998		1997	
	Buildings £	Other £	Buildings £	Other £
In one year or less	-	-	-	252
Between one and five years	6,630	748	6,630	504
	<u>6,630</u>	<u>748</u>	<u>6,630</u>	<u>756</u>

14 CONTROLLING RELATED PARTY

Mr M Cooper (a director of the company) is the company's controlling related party by virtue of owning 75% of the allotted, called up and fully paid share capital of the company.

15 THE AVALON FUNERAL TRUST

The Avalon Funeral Trust is a scheme for the pre-arrangement and prefunding of funeral services. A formal independent actuarial review of the Avalon Funeral Trust has been prepared as at 30 June 1998. At the valuation date the value of the Trust's assets was sufficient to cover 103% of the actuarial valuation of liabilities. The assets (which include in respect of Unit Trust Managed Funds - cost of original units plus reinvested income) of the Avalon Funeral Trust as at 30 June 1998 comprise :

	Cost £	Market value £
Listed investments:		
Treasury stocks	150,000	163,917
Unit Trust Managed Fund	265,070	294,514
	<u>415,070</u>	<u>458,431</u>
Other assets:		
Bank and cash	143,484	
Accrued income	1,494	
	<u>560,048</u>	