

# Financial Statements

## Golden Charter Limited

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**For the Year Ended 31 March 2017**

**Registered number: 02511598**



## Company Information

<b>Directors</b>	Ronald A Wayte Michael J Corish (resigned 7 April 2017) Magnus P Swanson Robert D Speir Julian A B Walker Steven Burnett John Thornton Helen J Wathall James F P Tovey (appointed 1 December 2016)
<b>Company secretary</b>	Robert D Speir
<b>Registered number</b>	02511598
<b>Registered office</b>	One London Wall London Wall London EC2Y 5AB
<b>Independent Statutory Auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Queen Street Level 8 Glasgow G1 3BX
<b>Bankers</b>	Bank of Scotland 167-201 Argyle Street Glasgow G2 8BU
<b>Solicitors</b>	Wright, Johnston & Mackenzie LLP 302 St Vincent Street Glasgow G2 5RZ

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# Strategic Report

**For the Year Ended 31 March 2017**

## **Report from the Chairman**

The Board set out its objectives through to 2021 last year. As our Chief Executive Officer notes below, 2016-17 was a challenging year for the business following eight years of unbroken growth in the sales of pre paid funeral plans. Markets evolved rapidly and the pace of change increased with new entrants and competition which has demanded a response from us as we seek to maintain the 'Independent Funeral Director' brand. Our links with our shareholder group strengthened under the Chairmanship of Julian Walker and the Company was able to seek counsel from industry expertise as we made some difficult decisions in the routes to market that are used to reach our consumers.

James Tovey was appointed to the Board formally in December 2016, joining Helen Wathall and Julian Walker as SAIF Charter nominated funeral directors on the Board. The three funeral directors bring significant industry experience to Board discussions and have been active in gauging the sentiment of funeral directors across the shareholder base.

The funeral directors are joined on the Board by Steve Burnett and John Thornton who serve as independent non executive directors. Steve and John both have extensive board experience after long executive careers in financial services and banking, respectively, and have taken lead roles within the audit committee and the remuneration committee.

During the 2016-17 year, three executive directors also served on the Board, Ronnie Wayte, Robert Speir and Michael Corish. In April 2017, Michael Corish left the Company after a distinguished period of service and the whole Board wishes Michael well in his future endeavours. The Board will move forward with eight members in 2017-18 split 25:75 between executive and non executive membership.

The Board believes that there remains significant opportunity for growth through Golden Charter promoting the Independent Funeral Director sector. Our TV advertising remains an important step on the journey. We also believe that we can broaden services to our now extensive customer base by offering legal services products.

I opened by saying that our market is changing and I would like to thank my fellow directors, our employees, our shareholders, and our stakeholders who supported us throughout the year. Our staff members in particular have demonstrated great commitment and flexibility during the year as competition has grown. 2017-18 promises to present further challenges, but I believe we are well placed to prosper.

# Strategic Report

For the Year Ended 31 March 2017

## **Report from Chief Executive Officer**

This has been a challenging year for the Company, with significant competition from established industry competitors, new entrants and market disruptors. The core of our business remains the sale of pre paid funeral plans, which are sold through a number of routes to market.

Prices for pre paid funeral plans reduced across the market during 2016, following a reduction by one of the established funeral companies in the sector. The Company moved to match the price reduction in February 2017 and will continue to innovate on price and product in the next financial year.

Funeral Poverty retained a consistently high profile in the media and within the public consciousness through the year. Concerns about the ability to pay for funerals and the ways in which entitlement to benefits are assessed arose frequently, sparking considerable public debate. Politicians from Westminster, the Scottish Parliament and the, Welsh and Northern Irish Assemblies became actively involved and much consideration was given to the governance and regulation of funerals, including pre payment. Several of these debates are moving forward and although a clear vision of the resultant governance framework has still to emerge the Company has engaged fully with the Cross Party Groups, Regulators and civil servants to assist in the search for solutions that will both ease the immediate problems and build a workable framework for the future.

The funeral market also continued to change, in particular with the rise of low cost “direct to cremation” funerals with the customer choosing to make arrangements outside of the traditional funeral director model. The Company has a number of strategies under development to address the challenges from the changing market and these will start to be rolled out during 2017-18.

Our biggest sales channel for pre paid funeral plans remains sales through our network of local, independent funeral directors who collectively own 100% of the share capital of the Company. Sales through funeral directors grew by 7% during 2016/17 which meant the Company delivered on the ambition to double sales in that channel over a five year period from 2012.

The Company also sells pre paid funeral plans direct to customers, through a combination of marketing activity and the utilisation of third party marketing agents. A review of our trading strategy in this area was completed through the year and as a result the Company terminated a number of relationships with third party marketing agents who did not meet the level of quality we required in their sales processes. Our marketing activity was re focused towards customer facing activity with significant investment in TV advertising. We also changed our sales deployment model, moving away from sales in the home as customers are increasingly comfortable at completing their sale digitally or via the telephone.

The changes were made in full consultation with our funeral director shareholders and mark a revision in our strategy where we will only compete in market segments that are consistent with the core values of the Company and our shareholders. As a result of the changes made, sales in the 12 months to 31 December 2016 showed a market share of 33%, as measured by the Funeral Planning Authority, which was a reduction of 7 percentage points versus 2016. The Company remains the market leader for sales of pre-paid funeral plans at December 2016.

The legal services division continued to contribute to the Company’s operating profits particularly through the inclusion of a Will within the pre paid funeral plan product, which is popular with customers. The Company appointed Graeme Carruthers as Managing Director for Legal Services in February 2017 as we look to expand the division over the next two years.

Looking forward, the Company’s main strength remains its UK wide network of locally owned, family run independent funeral directors who are pillars of their local communities and who offer the best quality and consistency of service in the market place. The Company expects to see continued competition on pricing and heavy investment from our competitors on consumer marketing and digital optimisation. Plans are in place to respond to the changing market place through product innovation, marketing investment and, provision of new services, all underpinned by investment in customer facing technology.

# Strategic Report

**For the Year Ended 31 March 2017**

## **Strategy and business model**

The Company is owned by SAIF Charter Limited which was formed to hold the shares in the Company on behalf of over 700 independent, mostly family owned funeral businesses. The activities of SAIF Charter are overseen by an executive committee comprised of eleven elected or nominated funeral director representatives and the Chief Executive Officer of Golden Charter. The executive committee elect three of their members to serve as directors on the Board of Golden Charter.

The principal activity of the Company is the marketing, sale and administration of a comprehensive range of funeral plans and legal services products throughout the UK. Funeral services are provided by the Company's shareholders who perform almost half of the funerals in the UK each year.

The Company's purpose is to help families make tomorrow's choices today. This underpins an ambition which is that in the long term, every family in the UK will have a Golden Charter product or service.

The business model is based on growing and defending the market share of the pre paid funeral plan market for shareholders whilst enhancing the level of payment that our shareholders receive when a pre paid funeral plan matures, through diversifying revenue streams from other later life products and services.

## **Key performance indicators**

The key performance measures are as follows:

- Turnover
- Operating profit
- Cash
- Market share of the pre-paid funeral plan business
- Profitability of individual product lines and routes to market
- Service levels to customers and funeral directors

The Board reviews a number of other performance indicators to allow it to manage the business and ensure that the strategy and objectives are being delivered.

# Strategic Report

**For the Year Ended 31 March 2017**

## **Finance Review**

As noted above, the year to 31 March 2017 was a challenging year for the Company. The Board made a number of decisions during the year to cease trading in certain areas of the market place that do not meet the quality standards expected by our funeral director shareholders. As a result, Turnover for the year was £36,608k (2016: £46,208k) which was a reduction of 21% in the year. Despite the reduction in Turnover, the Company delivered an Operating profit for the fifth year in a row, at £945k (2016: £2,813k).

At the end of the year the Company held cash of £4,808k (2016: £2,763k) which was an increase of £2,045k in the year. The favourable movement was driven by the operating profit augmented by a favourable working capital benefit associated with the cessation in trading in certain parts of the market place.

The accounts make provision for payment of £184k of corporation taxation in the year (2016: £588k).

The Company operates a defined contribution pension scheme under the UK auto enrolment regime. The Company contributes a minimum of 6% of basic salary for staff members and paid employer contributions of £538k during the year (2016: £634k).

The outlook for the next financial year is broadly in line with the performance over the last twelve months, as the Company faces increased competition from established industry players and new entrants.

# Strategic Report

For the Year Ended 31 March 2017

## Governance

The Board regularly reviews the strategic risk profile through a structured process that is designed to identify, evaluate and mitigate the Company's operational and financial risks. The Board reviews its strategic risks at each Board meeting and the executive directors review risks on a weekly and monthly basis.

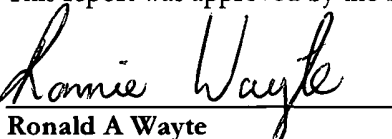
The Board delegates oversight of a number of its governance activities to the audit committee which is chaired by Steve Burnett who is an independent non executive director of the Company. Steve is joined on the committee by two of the Company's funeral director non executive directors, James Tovey and Julian Walker.

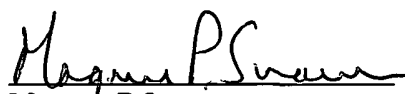
The audit committee oversees the Company's external audit, internal audit and sales compliance activities and seeks assurance through regular reporting and discussion with management. The committee will also meet on occasion with internal audit and external audit without management being present.

The Board's current view of the main risks and uncertainties faced by the Company is as follows:

- **economic, competitive & pricing pressures** - external conditions or pressure from existing or new competitors reduces the Company's market share, the underlying profitability of its products and services and the financial viability of its local funeral director shareholder base;
- **regulation** - the regulatory environment increases the complexity of our business with a resultant increase in the cost of compliance for the Company and its shareholder funeral directors;
- **reputation** - the action of competitors who operate outside of the Funeral Planning Authority regulation regime bring the whole funeral planning sector into disrepute;
- **political uncertainty** - the terms of "Brexit" and a resultant future Scottish independence vote increases the complexity of the business environment and the cost base within the business;
- **strategic alliances** - the Company is unable to secure or retain key contracts with third party partners;
- **brand reputation** - adverse publicity or a poor customer experience reduces the sales of our products;
- **business disruption** - the Company is exposed to a significant incident or information loss which adversely affects its operations;
- **liquidity & financial risk** - the Company has insufficient funding to meet its short term obligations or to deliver on its longer term strategic ambition; and
- **changes in tax legislation** - changes are made to UK taxes which change the pricing and profitability of the Company's products.

This report was approved by the board on 29 June 2017 and signed on its behalf.

  
Ronald A Wayte  
Chief Executive Officer

  
Magnus P Swanson  
Chairman



# Directors' Report

**For the Year Ended 31 March 2017**

The directors present their report and the financial statements for the year ended 31 March 2017.

## **Results and dividends**

The profit for the year, after taxation, amounted to £764,812 (2016: £2,254,104).

The directors have recommended and paid a dividend of £200,000 (2016: £700,000).

## **Directors**

The directors who served during the year were:

Ronald A Wayte  
Michael J Corish (resigned 7 April 2017)  
Magnus P Swanson  
Robert D Speir  
Julian A B Walker  
Steven Burnett  
John Thornton  
Helen J Wathall  
James F P Tovey (appointed 1 December 2016)

## **Directors' responsibilities statement**

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Post balance sheet events**

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

## **Directors' Report (continued)**

**For the Year Ended 31 March 2017**

### **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.

### **Auditor**

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

This report was approved by the board on 29 June 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to be 'R. Speir', with a large circular flourish at the end.

Robert D Speir  
Secretary



## Independent Auditor's Report to the Members of Golden Charter Limited

We have audited the financial statements of Golden Charter Limited for the year ended 31 March 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Standards Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 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.



## Independent Auditor's Report to the Members of Golden Charter Limited (continued)

### **Opinion 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

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

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

We have nothing to report in respect of the following matters where 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.

A handwritten signature in black ink, appearing to read "Grant Thornton UK LLP", written over the printed name and company details.

James Chadwick (Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Glasgow

29 June 2017

# Statement of Comprehensive Income

For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	36,607,612	46,208,127
Cost of sales		(15,416,034)	(21,749,566)
<b>Gross profit</b>		<b>21,191,578</b>	<b>24,458,561</b>
Administrative expenses		(20,246,790)	(21,645,440)
<b>Operating profit</b>	5	<b>944,788</b>	<b>2,813,121</b>
Interest receivable and similar income	9	5,878	29,622
Interest payable and expenses	10	(2,334)	(262)
<b>Profit before tax</b>		<b>948,332</b>	<b>2,842,481</b>
Tax on profit	11	(183,520)	(588,377)
<b>Profit for the financial year</b>		<b>764,812</b>	<b>2,254,104</b>

There was no other comprehensive income for 2017 (2016: £NIL).

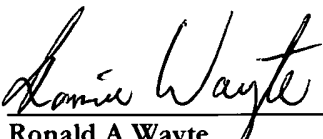
The notes on pages 14 to 30 form part of these financial statements.

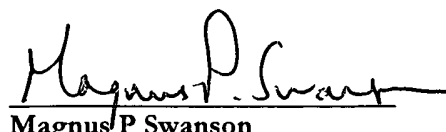
## Statement of Financial Position

As at 31 March 2017

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	13	378,619	398,408
Tangible assets	14	-	734
Investments	15	1,001	84,479
		<u>379,620</u>	<u>483,621</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	16	1,511,980	1,386,694
Debtors: amounts falling due within one year	16	7,711,146	13,322,196
Cash at bank and in hand	17	4,807,522	2,763,086
		<u>14,030,648</u>	<u>17,471,976</u>
Creditors: amounts falling due within one year	18	(9,286,404)	(13,396,545)
<b>Net current assets</b>		<u>4,744,244</u>	<u>4,075,431</u>
<b>Total assets less current liabilities</b>		<u>5,123,864</u>	<u>4,559,052</u>
<b>Net assets</b>		<u>5,123,864</u>	<u>4,559,052</u>
<b>Capital and reserves</b>			
Called up share capital	21	200,000	200,000
Profit and loss account	22	4,923,864	4,359,052
		<u>5,123,864</u>	<u>4,559,052</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2017.

  
**Ronald A Wayte**  
 Director

  
**Magnus P Swanson**  
 Director

The notes on pages 14 to 30 form part of these financial statements.

## Statement of Changes in Equity

For the Year Ended 31 March 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2016	200,000	4,359,052	4,559,052
<b>Comprehensive income for the year</b>			
Profit for the year	-	764,812	764,812
Dividends: Equity capital	-	(200,000)	(200,000)
<b>At 31 March 2017</b>	<b>200,000</b>	<b>4,923,864</b>	<b>5,123,864</b>

## Statement of Changes in Equity

For the Year Ended 31 March 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 April 2015	200,000	2,804,948	3,004,948
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,254,104	2,254,104
Dividends: Equity capital	-	(700,000)	(700,000)
<b>At 31 March 2016</b>	<b>200,000</b>	<b>4,359,052</b>	<b>4,559,052</b>

The notes on pages 14 to 30 form part of these financial statements.

# Statement of Cash Flows

For the Year Ended 31 March 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	764,812	2,254,104
<b>Adjustments for:</b>		
Amortisation of intangible assets	264,497	302,921
Depreciation of tangible assets	734	39,805
Interest paid	2,334	262
Interest received	(5,878)	(29,622)
Taxation charge	183,520	588,377
Decrease/(increase) in debtors	1,258,746	(925,061)
Decrease/(increase) in amounts due from insurance providers	4,043,498	(1,712,161)
(Decrease)/increase in creditors	(3,392,404)	1,434,669
Corporation tax (paid)	(834,259)	(453,586)
<b>Net cash generated from operating activities</b>	<b>2,285,600</b>	<b>1,499,708</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(244,708)	-
Sale of intangible assets	-	6,060
Interest received	5,878	29,622
<b>Net cash from investing activities</b>	<b>(238,830)</b>	<b>35,682</b>
<b>Cash flows from financing activities</b>		
Interest paid	(2,334)	(262)
<b>Net cash used in financing activities</b>	<b>(2,334)</b>	<b>(262)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,044,436</b>	<b>1,535,128</b>
Cash and cash equivalents at beginning of year	2,763,086	1,227,958
<b>Cash and cash equivalents at the end of year</b>	<b>4,807,522</b>	<b>2,763,086</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	4,807,522	2,763,086
	<b>4,807,522</b>	<b>2,763,086</b>



# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 1. General information

Golden Charter Limited is a private limited company which is registered in the UK. The registered office of the company is One London Wall, London Wall, London, EC2Y 5AB.

## 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 judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Going concern

The Directors formally approve the annual budget of the organisation and review regularly management accounts and updated financial forecasts. The forecast management accounts continue to show profitability and positive cashflow for at least the twelve month period following the approval of these statements. On this basis the Directors confirm they are satisfied that the Company has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements.

### 2.3 Revenue

The Company markets and sells pre-paid funeral plans, with monies received from selling funeral plans being held and controlled by either an independent funeral plan trust ("the Trust") or by a number of independent insurance providers. The location of the monies received depends on the nature of the funeral plan product sold. In both cases the responsibility for the ultimate performance of funerals is allocated to funeral directors who are not owned by the Company.

The Company receives the following revenue streams from the marketing and selling of pre-paid funeral plans:

- an administration fee in respect of each plan sold;
- a marketing fee where the Company has carried out marketing associated with the sale;
- a plan maintenance fee from the Trust to support the ongoing administration of plans held; and
- a broker commission from insurance providers based on the level of sales that accrue to the insurance providers.

All costs in respect of marketing and administration of the pre-arranged funeral plans are expensed in the income statement as incurred.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Company when a pre-arranged funeral plan is sold.

The Company also sells a range of legal services and products, such as asset protection trusts, probate plans, power of attorney, and Will writing.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.4 Intangible assets

Where computer software is not a part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Company's development of computer systems (including websites) is recognised if, and only if, the costs are directly associated with the production of identifiable and unique software products, controlled by the Company and it is probable that future economic benefits will flow to the Company.

After recognition, under the cost model, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided at rates calculated to write off the cost of the intangible assets, less their estimated residual value, over their expected useful lives.

Amortisation is provided on the following bases:

Software	-	% 10% to 33%
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### 2.5 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:

Long term leasehold property	- 7%
Infrastructure	- 7% to 33%
Office equipment	- 10% to 33%
Assets under construction	- 0%

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.

### 2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

### 2.8 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.

### 2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

### 2.11 Creditors

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

### 2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 2. Accounting policies (continued)

### 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 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

### 2.16 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions, other than deferred tax, are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within finance costs.

### 2.17 Current and deferred taxation

The tax expense for the year comprises 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.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates, assumptions and judgements that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. The most sensitive estimates affecting the financial statements are detailed below:

### Non consolidation of the Trust

The Company markets and sells pre-paid funeral plans, with monies received from selling funeral plans being held and controlled by the Trust. The Trust is not consolidated on the basis that the Company does not control the Trust, or vice versa. The Directors consider annually whether there have been any changes to terms and conditions, or accounting standards that would change this determination.

The Directors are of the opinion that the Company's relationship with the Trust does not constitute a related party relationship in accordance with FRS 102 section 33.2. This is assessed annually, taking into account the ongoing transactions and the nature of the transactions.

### Provision for future cancellations

The Company is required to refund elements of its revenue received from either the Trust or insurance providers if a pre-paid funeral plan is subsequently cancelled. Assumptions are made based on historical experience about the level of future (post year-end) cancellations on pre-paid funeral plans sold up to and including 31 March each year and in respect of the timing of those cancellations and the value of the revenue received that will be returned. Any increase (decrease) in this provision each year is deducted from (added to) revenue recognised in the period.

The Company is entitled to claw back commission paid to sellers if a pre-paid funeral plan is subsequently cancelled. Assumptions are made based on historical experience about the level of future (post year-end) cancellations on pre-paid funeral plans sold in the period and in respect of the value of the commission paid that will be clawed back. This provision is deducted from the cost of sales recognised in the period.

### Fixed asset impairment

The carrying amount of fixed assets is reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 3. Judgments in applying accounting policies (continued)

### Provisions

Provision is made against trade receivables accounts that in the estimation of management may be impaired. With each account, assessment is made of the recoverability of trade receivables based on a range of factors including the age of the receivable and the type of services provided.

Provision is also made against commission the Company is entitled to claw back that in the estimation of management may be impaired. With each account, assessment is made of the recoverability of commission claw backs based on a range of factors including the age of the debt and management's experience in recovering similar debts in the past.

A provision has been made relating to potential liabilities arising from past events which are not covered by insurance. The provision includes an assessment, based on historical experience, of claims incurred but not reported at the period end. The claims are expected to be settled substantially over the next three years. Discounting does not materially impact the level of the provision.

## 4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Sale of pre-paid funeral plans and related products	<u>36,607,612</u>	<u>46,208,127</u>

All turnover arose within the United Kingdom.

## 5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Operating lease rentals	323,549	309,719
Depreciation of tangible fixed assets	734	39,805
Amortisation of intangible assets	264,497	302,921
Defined contribution pension cost	537,675	633,774
Provision for doubtful debts	1,068,669	131,557
Provision for cancellations	1,022,782	2,655,134
Restructuring costs	<u>851,741</u>	<u>-</u>

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 6. Auditor's remuneration

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>40,000</u>	<u>38,180</u>
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Non audit services	<u>60,401</u>	<u>37,395</u>
	<u><b>60,401</b></u>	<u><b>37,395</b></u>

## 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	12,033,476	13,057,735
Social security costs	1,032,116	1,412,608
Cost of defined contribution scheme	537,675	633,774
	<u><b>13,603,267</b></u>	<u><b>15,104,117</b></u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Sales	130	184
Administration	220	223
	<u><b>350</b></u>	<u><b>407</b></u>

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	829,688	1,028,426
Company contributions to defined contribution pension schemes	65,330	122,154
Compensation for loss of office	93,082	-
	<u>988,100</u>	<u>1,150,580</u>

During the year retirement benefits were accruing to 3 directors (2016: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £264,246 (2016: £358,055).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2016: £63,654).

## 9. Interest receivable

	2017 £	2016 £
Other interest receivable	<u>5,878</u>	<u>29,622</u>

## 10. Interest payable and similar charges

	2017 £	2016 £
Other interest payable	<u>2,334</u>	<u>262</u>



# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 11. Taxation

	2017 £	2016 £
<b>Corporation tax</b>		
Current tax on profits for the year	56,691	734,259
<b>Total current tax</b>	<u>56,691</u>	<u>734,259</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	118,301	(160,268)
Adjustments in respect of prior periods	-	14,386
Effect of tax rate change on opening balance	8,528	-
<b>Total deferred tax</b>	<u>126,829</u>	<u>(145,882)</u>
<b>Taxation on profit on ordinary activities</b>	<u>183,520</u>	<u>588,377</u>

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 : 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	948,332	2,842,481
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	189,666	568,496
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,654	6,402
Capital allowances for year in excess of depreciation	550	1,127
Adjustments to tax charge in respect of prior periods	-	(19,091)
Deferred tax - adjustment for changes in rate	(12,350)	17,057
Deferred tax - in respect of prior periods	-	14,386
<b>Total tax charge for the year</b>	<b>183,520</b>	<b>588,377</b>

**Factors that may affect future tax charges**

The standard rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. The Finance (No.2) Act 2015 includes legislation which will reduce the rate further to 19% from 1 April 2017, and to 18% from 1 April 2020. The Finance (No.2) Act 2015 was substantially enacted on 26 October 2015. The recognised deferred tax balances have been re-measured to 18%. A further reduction to 17% with effect from 1 April 2020 has been announced but not yet substantively enacted.

**12. Dividends**

	2017 £	2016 £
Paid during the year	200,000	700,000

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 13. Intangible assets

	Assets under construction £	Software £	Total £
<b>Cost</b>			
At 1 April 2016	-	918,926	918,926
Additions	244,708	-	244,708
At 31 March 2017	244,708	918,926	1,163,634
<b>Amortisation</b>			
At 1 April 2016	-	520,518	520,518
Charge for the year	-	264,497	264,497
At 31 March 2017	-	785,015	785,015
<b>Net book value</b>			
At 31 March 2017	244,708	133,911	378,619
At 31 March 2016	-	398,408	398,408

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 14. Tangible fixed assets

	Infrastructure £	Office equipment £	Total £
<b>Cost or valuation</b>			
At 1 April 2016	205,145	1,073,444	1,278,589
At 31 March 2017	205,145	1,073,444	1,278,589
<b>Depreciation</b>			
At 1 April 2016	205,145	1,072,710	1,277,855
Charge for the period on owned assets	-	734	734
At 31 March 2017	205,145	1,073,444	1,278,589
<b>Net book value</b>			
At 31 March 2017	-	-	-
At 31 March 2016	-	734	734

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 15. Fixed asset investments

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 April 2016	84,479
Disposals	(83,478)
At 31 March 2017	<u>1,001</u>
<b>Net book value</b>	
At 31 March 2017	<u><u>1,001</u></u>
At 31 March 2016	<u><u>84,479</u></u>

The company holds 100% of the issued share capital of Golden Charter (Scotland) Limited and Golden Charter Select Limited. Both companies are registered in Scotland and neither company traded during the year.

The share capital and reserves of Golden Charter (Scotland) Limited as at 31 March 2017 total £1 (2016: £83,479). The share capital and reserves of Golden Charter Select Limited as at 31 March 2017 total £1,000 (2016: £1,000).

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**16. Debtors**

	2017 £	2016 £
<b>Due after more than one year</b>		
Other debtors	<u>1,511,980</u>	<u>1,386,694</u>
<b>Due within one year</b>		
Amounts due from Golden Charter Trust	4,472,586	4,829,173
Amounts due from SAIF Charter Limited	-	200,000
Amounts due from insurance providers	445,204	4,488,702
Other debtors	2,053,638	1,873,672
Prepayments and accrued income	469,730	1,777,141
Tax recoverable	243,309	-
Deferred taxation	26,679	153,508
	<u>7,711,146</u>	<u>13,322,196</u>

Included within Other debtors due within one year is £258,732 due from monthly instalment plan debtors. All amounts within Other debtors due after more than one year are due from monthly instalment plan debtors.

**17. Cash and cash equivalents**

	2017 £	2016 £
Cash at bank and in hand	<u>4,807,522</u>	<u>2,763,086</u>

**18. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Trade creditors	646,243	709,724
Amounts owed to group undertakings	-	73,401
Corporation tax	-	634,259
Other taxation and social security	618,602	984,898
Other creditors	2,261,242	4,030,445
Accruals and deferred income	5,760,317	6,963,818
	<u>9,286,404</u>	<u>13,396,545</u>

## Notes to the Financial Statements

For the Year Ended 31 March 2017

**19. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>14,030,648</b>	17,471,976
	<b>14,030,648</b>	17,471,976
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(9,286,404)</b>	13,396,545

Financial assets that are debt instruments measured at amortised cost comprise debtor and cash balances.

Financial liabilities measured at amortised cost comprise creditor balances.

**20. Deferred taxation**

	2017 £	2016 £
At beginning of year	<b>153,508</b>	7,626
Charged to profit or loss	<b>(126,829)</b>	160,268
Utilised in year	-	(14,386)
<b>At end of year</b>	<b>26,679</b>	153,508

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	<b>12,088</b>	(4,542)
Short Term timing differences	<b>14,591</b>	158,050
	<b>26,679</b>	153,508

# Notes to the Financial Statements

For the Year Ended 31 March 2017

## 21. Share capital

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

## 22. Reserves

### Profit & loss account

The profit and loss account reserve represents retained profits from the current and prior periods.

## 23. Contingent liabilities

The Company is currently involved in challenging an enquiry by HMRC regarding the tax treatment of payments made under the Group's Growth Securities Ownership Plan. HMRC allege that PAYE, employer's and employee's national insurance has been underpaid. This is not recognised as a provision as management considers it unlikely that additional tax will be payable to HMRC. This evaluation is consistent with legal advice.

If the company was unsuccessful in its challenge of the enquiry it would be liable, at some future date, for payments of tax amounting to £580k, of this amount the Company would recover £225k from the employees.

## 24. Pension commitments

The Company participates in a number of multi company defined contribution pension schemes, where the assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £537,675 (2016: £633,774). Contributions totalling £58,090 (2016: £58,090) were payable to the funds at the reporting date.

## 25. Commitments under operating leases

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	328,895	290,462
Later than 1 year and not later than 5 years	983,685	887,795
Later than 5 years	541,744	748,757
	<u>1,854,324</u>	<u>1,927,014</u>



# Notes to the Financial Statements

**For the Year Ended 31 March 2017**

## **26. Related party transactions**

Golden Charter (Scotland) Limited and Golden Charter Select Limited are subsidiaries of the Company. SAIF Charter Limited is the immediate parent of the company. The SAIF Charter Association is the ultimate parent. Golden Charter (Ireland) Limited is a fellow subsidiary of the Company.

Included within debtors are amounts due from SAIF Charter Limited of £Nil (2016: £200,000). Included within amounts owed to subsidiary undertakings is £Nil (2016: £73,401) due to Golden Charter (Scotland) Limited.

Key management are considered to be the Board of Directors only, please see note 8 for details of remuneration.

During the year the company purchased services amounting to £Nil (2016: £9,000) from Law at Work Limited a company in which Mr Magnus Swanson is a Director and has a controlling interest. These goods were purchased on an arms-length basis. There were no amounts outstanding to or from the company at the period end (2016: £Nil).

## **27. Controlling party**

The ultimate controlling party is SAIF Charter Association.