Solvency Assessment Report (SAR) for The GO AS YOU PLEASE FUNERAL PLAN TRUST As of 6 April 2023 (Valuation Date) addressed to Independent Funeral Planning Services Ltd following the requirements of FPCOB 3.2

We have been instructed to provide Independent Funeral Planning Services Ltd (the Plan Provider) with a Solvency Assessment Report as required by the Financial Conduct Authority ("FCA") under section 3.2.2 of the Funeral Plan: Conduct of Business sourcebook. The SAR report draws from a valuation of The GO AS YOU PLEASE FUNERAL PLAN TRUST's assets and liabilities as at as of 6 April 2023 ("Review date"). This SAR complies with Technical Actuarial Standards TAS 100 (Principles for technical actuarial work, version 2.0) and the Framework for FRC technical actuarial standards, TAS 400 (Version 3.0) concerning the determination, calculation and verification of the assets and liabilities of a funeral plan trust plus Actuarial Profession Standard (APS) Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans. The aim is to ensure the interests of customers are not adversely affected in all reasonably foreseeable circumstances.

The finances of the pre-arranged funeral Trust are investigated each year by an independent actuary (TrustActuarial Limited (TA Ltd)). In his investigation on 6 April 2023 the Trust actuary has indicated that the fund is 115% funded on a best estimate basis, that is for every £1 of monies projected to be required to pay for future funerals, there is £1.15 to cover the funeral promise. This figure will change each year, for example, because the value of the asset changes on a day-by-day basis. The assets are taken into the actuary's calculation at market value and other valuation assumptions (e.g., future interest rates and inflation) are chosen to be consistent with market conditions. Liabilities are valued by discounting future projected cash flows out of the fund to a lump sum at the valuation date, using a market-based interest rate. The monies are held ring fenced in a Trust independent from the Plan Provider who is also the final backer of the absolute guarantee to provide funerals. In arriving at their valuation assumptions, the Trustees had to be mindful of investment risks, unanticipated changes in mortality and higher than anticipated funeral expenses. There are no subcontracted liabilities to other funeral service providers.

"The Plan Provider" markets a pre-paid funeral plan ("The Plan"). The Plan provided a facility whereby individual Plan-Holders could make advance payment for their funeral; the funeral was at the price applicable and estimated at the time of application; this allowed fully paid Plan-Holders the flexibility to plan any kind of funeral, but there are exclusions. The Trust Fund established on 25 August 2017 between the Plan-Provider (the Company), and the Trustee is to received payments from Plan-Holders in respect of the Plan. The Trust Deed was amended on 18 October 2019 subject to exclusions. The Company "guarantees" the funeral cost at the price at application (subject to certain rules and guidelines). Should the Company enter into insolvency, the Trustee has a written Supplementary Agreement with another funeral director to provide the respective funeral plans at a cost to the Trust of 90% of the face value of the plan.

It must be re-emphasised that the Trust is merely a vehicle to reserve the cost of future funerals when required. It is **Independent Funeral Planning Services as Plan Provider** who is the final backer of the absolute guarantee to provide the funerals to the highest standard as initially promised to Plan-holders, in exchange for the assets of the Trust, whatever they may be regardless of whether or not the Trust has available assets to fund the funeral. The Plan Provider, therefore, has a potential exposure in the form of a reduced fee should the Trust's investment strategy, over which it has no control, fails to deliver an appropriate return or result in a fall in underlying asset values, or if the cost of delivery for a funeral increases at rates in excess of investment returns. In respect of buffers the approximately £362k Best Estimate surplus is in the context of the £2.4m Best Estimate liabilities.

Plan- holder data

The membership position at the current Valuation Date is set out below:

	Active as at 6 April 2023	Average age (un-weighted)	Estimated Present Funeral Costs at 6 April 2023
Total	**1,426**	**75.3**	**£3,167,475**

The number of live plans categorised by payment method/ total plan value in relation to undrawn or live plans categorised by payment method:

	PLANS TOTAL	VALUE TOTAL	% NUMBER	% VALUE
SINGLE PAYMENT PLANS	987			
INSTALMENT PLANS PAID	166			
INSTALMENT PLANS OUTSTANDING	70			
	1,426	3,167,475	100%	100%

Average Plan Values (deposits plus fees) by payment method

SINGLE PAYMENT PLANS:	**£ 2,219**
INSTALMENT PLANS PAID:	**£ 2,402**
INSTALMENT PLANS OUTSTANDING:	**£ 0**

At the Review Date the amounts still to be received by the Trust in relation to partly paid instalment plans were £0.

Asset Data

TA Ltd relied on the list of investments appearing in the Trust's audited Financial Statements. The main portfolio of investments is managed by Sarasin and Partners on behalf of the Trust, £2,394,805 at the valuation date. There are also net current assets of £61,692 plus shares in Independent Funeral Planning Services Limited of £259,936 giving £2,716,433 in total.

Equity type	£1,396,592	**51%**
Alternatives	£310,042	**11%**
Corporate Bonds	£140,944	**5%**
Gilts	£422,833	**16%**
Liquid assets	£384,330	**14%**
net current assets	£61,692	**2%**
	£2,716,433	**100%**

The investment aims are to maintain the safety of principal (via diversity and holding mainly sterling assets), maintain liquidity (sufficient cash and assets that are easily saleable) to meet cash flow needs and to provide a competitive investment return over the long term (via investments that fluctuate in value and that are strategically diversified geographically).

Valuation on a Best Estimate basis on 6 April 2023

Summary Main Assumptions – previous triennial figures shown in brackets.

Discount Rate: 4.3% [2.3%] Rate of inflation of funeral costs: 0% [0%]

- *Mortality assumption: ELT 17 for males and females but mortality multiplied by 1.67 [1.62] An improvement rate of 1.5% p.a. was used (long cohort, CMI Mortality Projections Model 2015).
- 'Everyday expenses': £16,000 p.a. [£39k for 2 yrs. then 11k for 13 yrs.] inflating at 3.4% [circa 2% on average] p.a., 100% [100%] allocated to current Plan-holders.

Tax Treatment

Treated as a discretionary trust. The liabilities include a notional £50,000 Capital Gains Tax (CGT)reserve. Investment income is taxed at 20% and capital gains are also taxed above certain limits ("CGT") but we understand it should be possible to invest to keep the effective CGT tax rate quite low for an ongoing arrangement. The Trustees have instructed TA Ltd to assume a best estimate global average tax rate of 20% on investment returns. The actual global tax rate will become apparent over the future and the impact of a deviation from 20% will appear as an item of actuarial profit in the future (a potential loss if tax rates rise).

Withdrawal Assumptions

32 Plan Holders withdrew over the year, this elevated level was due to moving to the new Trust which accepted new customers from 29 July 2022, so more like transfers. Withdrawals are likely to return to a low level next year, historically a circa 1% p.a. withdrawal rate.

Mortality Assumption Detail

The basis used was 167% ELT 17 for males and female's mortality. Mortality improvements are allowed for by incorporating CMI 2015 Core Projection with a long-term improvement rate of 1.5%. Basically, the actuary assumed 1.67 times (1.62 last year) the normal number of deaths for the average persons in the England and Wales and also allows for future mortality improvements. The average age at the valuation date for the members was 75.3 years. The average expectation of life at the current Valuation Date for the male members was 9.7 years (11.5 years for females). Due to assumed improvements in mortality at 1.5% pa these expectations of life increase by on average 0.9 year in 11.7 years.

The 1.67 times adjustment was calculated in an experience investigation.

Retail Prices Inflation

At the Valuation Date, the Bank of England published a 3.43% RPI rate at the 10.8-year point of the UK implied inflation spot curve.

The assumed long-term rate of ***price inflation*** *is therefore selected as 3.4% per annum.*

Investment Returns

Fixed Interest

As at the Valuation Date, relevant market yields were approximately as follows:

- UK Government stock (Gilts) 3.68% p.a. (15 years) (Financial Times)

The above used for the basis for arriving at the equity return*****

- 10.8-year corporate bonds 4.6% p.a. (provided by iBoxx-interpolation)
- 10.8-year Gilts 3.5% by interpolation

Thus, the yield on fixed income assets was taken at 3.5% (gilts) and 4.6% corporate bonds.

These discount interest rates were incorporated in the calculation of the global discount rate in proportion to the nature of the assets held at the Valuation Date to produce a best estimate investment yield.

Equities

In determining an appropriate discount interest rate relevant to the equity holding, a useful starting point is the yield on long-term gilts (15-year term) as they are virtually risk-fee investments. At the Valuation Date, there were yielding circa 3.7% p.a.

It is then necessary to consider the additional long-term return that might be available from equities relative to gilts - the "Equity Risk Premium". The Equity Risk Premium has been assumed as 3% per annum, which implies an assumed long-term return for equities of 6.7% rounded (3+3.7) per annum rounded.

This return is before tax but after any management charges levied on the unit funds.

Alternatives were treated for assumed gross return purposes as an average of Corporate Bonds and Equities at 5.7% ((6.7+4.6)/2)

Deposits

TA Ltd has assumed a liquid assets (cash like) rate of 3.8% before tax, the current rate.

Adopted weighted return assumption: The table below implicitly assumes the Valuation Date holdings are maintained over the future. The application of a best estimate notional 20% global tax rate currently produces a net of tax investment return of 4.3% (5.4 x 0.8) pa. (rounded) after investment expenses have been deducted.

Equity type	1,396,592	**51%**
Alternatives	310,042	**11%**
Corporate Bonds	140,944	**5%**
Gilts	422,833	**16%**
Liquid assets	384,330	**14%**
net current assets	61,692	**2%**
	£2,716,433	**100%**
	5.4%	**gross rate**

Valuation Method.

The first stage of the valuation process involves calculating the equivalent lump sum (at the valuation date) of the stream of projected future funeral costs using interest, inflation, and mortality; this process is called discounting. As a second stage this discounted value of the liabilities is compared against the current value of The Fund. The present value of expected future funeral costs was calculated for each individual by applying a whole life assurance factor to the funeral cost estimate at Valuation Date; this produces a valuation reserve similar to that of a single premium whole of life insurance policy.

The rate at which the Trust Fund accumulates depends on future investment returns after tax, after allowing for any expenses met by The Trust Fund. The incidence of payments from The Trust Fund will depend on the mortality rates experienced by Plan-holders.

The basic valuation process takes the typical projected outflows for the whole future time period and answers the question "what would I need in the Trust asset-pot now earning interest at the assumed rate, in the light of future expense inflation and assumed mortality to discharge the liabilities of the Trust". I.e., the liabilities at the valuation date have been derived by discounting the projected cash flows over the lifetime of the Trust to the valuation date, using the valuation discount rate.

A fundamental principle of an actuarial valuation is that the valuation of assets and liabilities should be consistent; thus, the valuation is on the market value of the assets held by The Fund and in TA Ltd's opinion, the future rates of return reflecting relevant market related conditions at the Valuation Date. The level of solvency of the Trust Fund is determined by comparing the actuarial value of the sums agreed under the funeral plans with the current value of the Trust Fund. The Trust Fund is 100% solvent (or funded) if the actuarial value of benefits equals the value of the Trust Fund.

The Trust Fund would be in deficit if the actuarial value of sums agreed under the funeral plans plus expenses (including some assumed level of future increase in expenses) when discounted at the assumed future investment rate was more than the current value of the Trust Fund.

To carry out an actuarial valuation, it is necessary to make several assumptions, some of these are of a statistical nature, such as estimates of the future rates of mortality; others are of an economic nature, such as the rates of return expected on various asset classes.

Financial position of the Trust on a Best Estimate basis:

The funding level on a Best Estimate (BE) basis was 115%. [The Best Estimate basis strips away margins for prudence, i.e. assessed for each of the assumptions such that there is an equal likelihood of actual experience being greater or less than the expected value].

Category	£'000
BE Liabilities (inc. expenses+cgt reserve)	**2,354**
Assets (at market) of investments + cash	**2,716**
Surplus {(b)-(a)}	**362**
Funding Level {(b)/(a) x 100%}	**115%**

The liabilities include a notional £50,000 Capital Gains Tax (CGT) reserve. The expense reserve was £230,000 (discounted over a 15-year period).

The key risks (in terms of a change in the best estimate financial position from current levels) are:

If the discount rate reduces by 0.5% then the best estimate funding level falls by 4.6% (best estimate surplus falls by £98,000).

If the mortality is 200% of the ELT17 table, then the best estimate funding level falls by 3.7% (best estimate surplus falls by £78,000). If the rate of improvement in mortality reduces to 1% pa (from 1.5% pa) the best estimate funding level reduces by 1.2% (best estimate surplus reduces by £24,000).

If there is a pandemic (say 10 times general population normal mortality) then the best estimate funding level falls by 25.6% (best estimate surplus reduces by £670,000).

If Climate change reduces the return on equities by 1% p.a., then the best estimate funding level falls by 3.7% and the best estimate surplus falls by £78,000.

If the equities' prices fall by 24% the best estimate funding level falls to 100%.

Significant Post Valuation events

To give a useful indication of the change in funding level over time, the valuation was re run some 7 months later maintaining the 6 April 2023 valuation date on a like for like basis using market yields /inflation / updated assets at 13 November 2023. The updated assets were increased for the cost of funerals post 6 April to maintain the "like for like" aspect). No new funerals had been sold.

Although bond yields increased, thus reducing liabilities, the bond assets depreciated in value for the same reason. (The valuation basis liability yield increased by 0.6%).

Equity values were negatively impacted by several factors e.g. the war in Gaza / fears of the conflict spreading. On the best estimate basis the funding level changed from 115% to 113%.

Given the nature of the arrangement fluctuations in funding levels are inevitable.

Geoff Arnold FIA (Fellow of the Institute of Actuaries)

For TrustActuarial Limited 13 November 2023

SAR Appendix

The level of all monies deducted from the trust over the year to 6 April 2023:

Total net Payments: £325,530.

Total Expenditure : £26,744.

Grand Total: £352,274

Identification of how the deductions have been spent:

Movement in monies re funeral plans

	2023
	£
Funeral plan receipts	68,134
Funerals purchased	(257,277)
Plan refunds	(62,107)
Increase in provision for future liabilities	(74,280)
	(325,530)

Plan management and administration

	2023
	£
Administration costs	4,577
Amortisation of intangible assets	2,873
Salary costs	3,600
Directors of trustee salary costs	10,800
Employer NIC	2,965
Employer pensions	-
Director of trustee fees	-
Trustee fees	-
Marketing costs	-
Bookkeeping costs	7,756
Computer Consumables	-
Investment management fees	-
Print, Postage & Stationery	-
Insurance	-
Subscriptions	300
CRM support	3,000
FCA Compliance fees	(30,489)
Bank fees	339
Merchant service fee	3,016
	8,737