Solvency Assessment Report (SAR) for the F.A. ALBIN & SONS PRE-ARRANGED FUNERAL TRUST As of 31 March 2025

We have been instructed to provide F.A. ALBIN & SONS Limited (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 F.A. ALBIN & SONS PRE-ARRANGED FUNERAL TRUST assets and liabilities as at as of 31 March 2025 ("Review date"). This SAR complies with Technical Actuarial Standards TAS 100 (Principles for technical actuarial work) and the Framework for FRC technical actuarial standards, TAS 400 (17 July 2023 Version 3.0) concerning the determination, calculation and verification of the assets and liabilities of a funeral Plan trust. The aim is to ensure the interests of customers are not adversely affected in all reasonably foreseeable circumstances **and** Actuarial Profession Standard (APS) Z1: Duties and responsibilities for actuaries working for UK trust-based pre-paid funeral plans.

The finances of the pre-arranged funeral Trust are investigated each year by an independent actuary. In his investigation on 31 March 2025 the Trust actuary has indicated that the fund is 165% funded on a best estimate basis, that is for every £1 of monies projected to be required to pay for future funerals, there is £1.65 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. F.A. Albin & Sons Limited (The "Plan Provider") markets a pre-paid funeral plan ("The Plan") mainly under the Laurel Payment Plan brand name. All monies from these sales are held and controlled by the F A Albin Prearranged Funeral Trust. F A Albin & Sons Limited has given commitments to these clients to perform their funeral. The agreed amounts payable will be paid out of the funds held in the Trust.

The Fund is a trust fund established about 30 years ago by The Plan Provider to receive payments from Plan-Holders in respect of the Plan. The Plan-Holder pays for the funeral at the price applicable and estimated at the time of application. There is a guarantee of the funeral cost at the price at application (subject to certain rules and guidelines).

Financial position of the Trust on a Best Estimate basis:

The funding level on a Best Estimate (BE) basis is 165%, 168% last year. [The Best Estimate basis strips away margins for prudence].

Category	**£'000**
BE Liabilities (including expenses)	**4,218**
Assets (at market) of investments + cash	**6,955**
Surplus {(b)-(a)}	**2,737**
Funding Level {(b)/(a) x 100%}	**165% [previously 168%]**

Valuation Details on a Best Estimate basis on 31 March 2025

Summary Main Assumptions – previous triennial figures shown in brackets.

Discount Rate: 4.9% [5.1%] Rate of inflation of funeral costs: 3.5% [3.5%]

- *Mortality assumption: ELT 17 for males and females but mortality multiplied by 1.5 [1.5] An improvement rate of 1.5% p.a. was used (long cohort, CMI Mortality Projections Model 2015).
- 'Everyday expenses': £55,000 p.a. [£42,000] inflating at 4.2% [4.2%] p.a., 50% [50%] allocated to current Plan Holders.

Tax Treatment

Council's Opinion was that the Trust is not subject to tax, this burden is on the Company (which incidentally in our opinion has a strong covenant).

Withdrawal Assumptions

Ignored for the purposes of the valuation, as previously, due to low volume, less than 1% pa of the Customers.

Mortality Assumption detail

*Basically, this means the actuary assumed 1.5 times the normal number of deaths for the average persons in the England and Wales and also allows for future mortality improvements. The expectation of life of the membership at the review date was 9 years (average age 79.4 years). The 1.5 times adjustment is calculated in an experience investigation.

Retail Prices Inflation

At the Valuation Date, the Bank of England published a 3.47% RPI rate at the 9-year point of the UK implied inflation spot curve.

*The assumed medium-term rate of **price inflation** is therefore indicated as 3.5% per annum and selected at 3.5% per annum by the trustees to reflect funeral price inflation .*

Investment Returns

Fixed Interest

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

- 7 to 10-year corporate bonds - 4.6% p.a. (provided by iBoxx)
- 10 year plus corporate bonds – 5.1% p.a. (provided by iBoxx)

To calculate the global discount rate, these discount interest rates are factored proportional 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, these were yielding circa 5% 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 assumed Equity Risk Premium was 3.5% per annum, which implies an assumed prudent long-term return for equities of 8.5% per annum rounded (5+3.5). This return is after any management charges levied on the unit funds. The best estimate was 8.5% p.a. (5+3.5 rounded).

Deposits

TA Ltd (after consulting the Trustees) has assumed a cash deposit rate of 4% before tax.

Adopted weighted return assumption: The table below implicitly assumes the Valuation Date proportional holdings are maintained in the future.

Assumed Asset Class		% of Fund	Assumed Gross Return
Equities		26.8	8.5%
Corporate Bonds		24.2	4.8%
Cash		49.0	3.00%
Average Weighted Return		100.0	4.91%
		Rounded	**4.90%**

Actual Experience v Assumptions

Funeral cost increase

The rate at the previous triennial report date was forecast at 4.5% pa.; the "Albins" actual experience had been somewhat less at circa 3.5%.

Mortality	**Actual deaths** from Plan Holders in 2024/2025	**Approximate expected deaths** 150% ELT 17 for males and female's mortality. Improvements: CMI 2015 Core Projection with a long-term improvement rate of 1.5%
Total	**108**	**117**

Withdrawals

17 Plan Holders withdrew over the year (circa 1% p.a. on average) perhaps partly prompted by the cost-of-living crisis. Withdrawals are likely to remain at this low level.

Expenses

Allowance £55,000 versus actual £60,655 (the administration fees of £19,375 was covered by Trust Fund Transfers). The latest year "overspend" compared to the longer term assumption was due to a one off legal fee (55k v 60.655k).

Investment returns

At the previous annual valuation on the best estimate basis it was assumed the fund would earn 4.5% p.a. the actual outcome over the year was 2.7% p.a.

Third Party information

Ultimately, F A Albin & Sons Limited is obligated to perform these funerals in exchange for the assets of the Trust, whatever they may be regardless of whether or not the F A Albin Prearranged Funeral Trust has available assets to fund the funeral. F A Albin & Sons Limited, therefore, has a potential exposure in the form of a reduced fee should the F A Albin Prearranged Funeral 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 the employer covenant (financial strength) F.A. Albin & Sons Limited has been trading for over 200 years and in our opinion has a more than adequate financial position in relation to its commitments. The net assets of the company total circa £3.2m, which illustrates that the extent of its financial resilience. To this buffer can be added the approximately £2.7m Best Estimate surplus illustrated above, a total buffer of about £5.9m (3.2+2.7) ; this £5.9m is in the context of the circa £4.2m Best Estimate liabilities.

Data Checking

The data below has been taken from audited accounts, whereby administrative and accounting controls were tested to provide reasonable assurance of effectiveness. In addition, for example, the average cost of a funeral appeared reasonable to us in relation to the number of funerals stated in the accounts as having been undertaken We have carried out tests of reasonableness, e.g., on ages and funeral costs.

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

	Active as at 31 March 2025	Average age (un-weighted)	Estimated Present Funeral Costs at 31 March 2025
Total	**1,258**	**79.4**	**£4,693,000**

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	1,014	4,769,339	81%	79%
INSTALMENT PLANS PAID	191	952,740	15%	16%
INSTALMENT PLANS OUTSTANDING	53	291,915	4%	5%
	1,258	6,013,993	100%	100%

Average Plan Values (deposits plus fees) by payment method	
SINGLE PAYMENT PLANS	4,703
INSTALMENT PLANS PAID	4,988
INSTALMENT PLANS OUTSTANDING	5,508

At the Review Date the amounts still to be received by the Trust in relation to partly paid instalment Plans were £123,600.

Asset Data

TA Ltd relied on the list of investments appearing in the Trust's audited Financial Statements on 31 March 2025. At this date, the assets were taken as comprising:

Assumed Asset Class	Market Value £'000	% of Fund
Equities	1,771	26.8
Corporate Bonds	1,596	24.2
Cash	3,232	49.0
Total	6,599	100.0

The Grand Total of assets is £6,955k when one adds in the net current assets of £356k.

Investments Held (from Balance Sheet) was £6,598,858:

Transact Portfolio	4,275,159
HSBC Administration account	17,811
HSBC Moneymaster account	1,083,259
UBS Portfolio	1,222,629

The key risks/stress testing (in terms of a change in the financial position from current levels) are illustrated below:

If the cost of funeral inflation rate increases by 0.5% then the funding level falls by 5.8% (surplus falls by £154,000).

If the discount rate reduces by 0.5% then the funding level falls by 5.8% (surplus falls by £153,000).

If the mortality is 200% of the ELT17 table (up from 150% assumed), then the funding level falls by 2.4% (surplus falls by £62,000). If the rate of improvement in mortality reduces to 1% pa (from 1.5% pa) the funding level reduces by 0.6% (surplus reduces by £16,000).

If the Plan closes to new entrants, then the funding level reduces by 14% (surplus reduces by £392,000). In addition, 100% (up from 50%) of future ‘everyday expenses’ will be paid by existing Plan Holders after the closure date.

If there is a pandemic (say 10 times general population normal mortality) then the funding level falls by 12% (surplus reduces by £332,000) and the expectation of life falls to 2.0 years (from 9 years against the 150% mortality factor).

If Climate change reduces the return on equities by 1% p.a., then the funding level falls by 3.8% and the surplus falls by £98,000.

If the everyday expenses of running the arrangement are higher than assumed, then the solvency position will worsen leading to an increase in any shortfall contributions and a fall in the funding level all else being equal.

The investment strategy

This is set, implemented and monitored by the Trustees who take independent professional advice regarding the F A Albin Prearranged Funeral Trust’s investment strategy. The aim is to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for the Trust (to maintain the purchasing power of the fund over the long term). Diversification is used to ameliorate market risk. Cash flow matching is used to avoid forced sale of assets. The investment portfolio remains sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets.

Potential Conflicts of Interest

None Identified

Model's appropriateness

The model used to perform the calculations was bespoke, written by an experienced pensions actuary with a degree in computing (it had been specified (and subsequently tested) by an experienced pensions actuary with a "Masters" in Applied Statistics. The approach produced a step by step program that was transparent, avoiding complexities that did not add real value (and which would have been more difficult to check for accuracy). In short it is a program appropriate and suited for the task.

Valuation Method.

The first stage of the valuation process involves calculating the equivalent lump sum 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 everyone by applying a whole life assurance factor to the funeral cost estimate at Valuation Date; this produces a valuation reserve like that of a single premium whole of life insurance policy. The rate at which The Fund accumulates depends on future investment returns, after allowing for any expenses met by The Fund. The cost of future funerals will depend on the rate at which funeral costs increase in the future. The incidence of payments from The Fund will depend on the mortality rates experienced by Plan-Holders.

The basic valuation process takes the projected outflows and answers the question "what would I need in the Trust pot now earning interest at the assumed rate, in the light of future funeral cost inflation and 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 Fund is determined by comparing the actuarial value of the benefits with the current value of The Fund. The Fund is 100% solvent (or funded) if the actuarial value of benefits equals the value of The Fund. The Fund would be in deficit if the actuarial value of future benefits plus expenses, including some assumed level of future funeral costs increase, when discounted at the assumed future investment rate were more than the current value of The 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 rate at which funeral costs are going to increase due to inflation, and the rates of return, expected on various asset classes.

Discontinuance measures:

The funding level on "hiving off" discontinuance (selling the future funerals to another Funeral Director) is 130% (was 124% last year). [The hiving off liability is taken as the number of plans multiplied by the anticipated average cost a competitor would be prepared to pay to accept the liabilities.] Alternatively, the funding level on "returning deposits*" is 121% (previously 118%).

*[number of plans multiplied by their related original funeral price paid].

IMPORTANT NOTE: The Trust is "merely" a financial resource, the real responsibility to deliver the funeral promise lies with the Plan Provider F.A. Albin & Sons Limited.

Post Valuation date events

A. **Capital Market Movements post valuation date to 20 July 2025**

Post Valuation Date General Equity Market Movements - Source IG Markets	
US 500	**+12.4%**
FTSE 100	**+4.3%**
EU stocks 50	**+1.2%**

Post Valuation Date Bond Price Market Movements - Markit iBoxx

Corporate Bonds AA 10-15-year term   +3% in price

Over the post valuation date period to 20 July 2025 bond yields have eased 0.26% lower thus increasing calculated liabilities by circa 2%. However, bearing in mind the above equity and bond capital value uplifts (and that the cash (which retains its nominal value) represents almost half of the assets) it is very unlikely indeed that the funding level has deteriorated over the period 31 March 2025 to 20 July 2025.

B. **Inflation movements:**

RPI at 31 March 2025 at 9 year point 3.47%

RPI at 20 July 2025 at 9 year point 3.06%

The above indicates a lower liability which rejects the hypothesis of a deterioration in funding level.

Note: A 10 year cashflow analysis is shown in the full report in Appendix I.

Geoff Arnold FIA (Fellow of the Institute of Actuaries)

For TrustActuarial Limited   31 July 2025

SAR Appendix

The level of all monies deducted from the trust over the year to 31 March 2025:

Total Payments was £473,222.

Total Expenditure was shown as £80,030 in the signed accounts, however, the administration fees of £19,375 were covered by Trust Fund Transfers. The latest year "overspend" compared to the longer term assumption was due to a one off legal fee.

Grand Total: £553,252. (Payments plus Expenditure)

Identification of how the deductions have been spent:

Payments	
Funerals Disbursed	417,597
Trust Fund Transfers	(19,375)
F A Albin & Sons Costs	75,000
	473,222

Expenditure	
Administration Costs	19,375
Professional Fees	35,814
Trustee Fees	7,000
Accountancy	7,700
Bank Charges	1,033
Insurance	9,108