



Funeral Planning Trust

Annual Report

for the year ended 31st March 2016



“It is imperative that funeral directing firms can rely on a reputable and financially robust organisation to manage its prepayment monies.”

- Funeral Director Monthly

*The plan of choice
for Funeral Directors and their clients*

Introduction

We are delighted to present the 21st Annual Report of Funeral Planning Trust. Since the company and trust were established in 1995 we have remained true to our founding principles of integrity, transparency and partnership with the Funeral Directors we work with and for the benefit of their clients.

A funeral plan is the most secure and reliable way of paying for a funeral in advance because:

- Each purchaser has a guarantee that the services itemised in the plan will be provided when required by the participating Funeral Director.
- The Funeral Director is guaranteed payment for his or her work from the Funeral Planning Trust.

Funeral Planning Trust is conservatively managed with a range of investments selected to increase the funds available to pay for funerals in the future. As a result the assets of the trust have continued to grow and are more than sufficient to cover all outstanding funeral payments or cancellations.

Once again I would like to record my appreciation of the excellent contribution made by our staff and professional advisors over the past year.

Special thanks are due to the Managing Trustees of Funeral Planning Trust, the majority of whom are independent of the company, for their essential support.



A handwritten signature in black ink, appearing to read 'Graham Williams'.

Graham Williams
Chairman

Funeral Planning Services Limited
September 2016

Assurances

For many years Funeral Planning Trust has taken the lead in open reporting to Funeral Directors and we are delighted to give the following assurances.

1. In addition to a copy of these accounts, each of our business partners receives an annual statement of the number and value of their own plans in Funeral Planning Trust.
2. After deduction of the agreed administration costs, the full amount of each funeral prepayment is invested.
3. Each funeral prepayment is held securely in trust for the Funeral Director who has guaranteed to provide the funeral for the client when required.
4. All funeral prepayment funds are held independently in Funeral Planning Trust so that, even if Funeral Planning Services Limited should cease trading, payments could be made direct to the Funeral Director.
5. The administration costs of Funeral Planning Services Limited are met by agreed and transparent charges – there are no hidden fees or deductions.
6. Annual inspection of the trust and company accounts by independent auditors, in addition to regular monitoring by the Funeral Planning Authority, is designed to assure the funeral director and client that funds will be there to pay for the service whenever it is required.
7. Independent actuaries provide a full valuation to ensure that the fund can pay its liabilities at all times.
8. The company has an established record of increasing funeral payments over the past twenty years and our aim is to achieve the best possible return without undue risk and with cost-effective fund management. The level of funeral payment increase is decided on an annual basis taking into account the performance of trust investments and the need to provide for future liabilities.

Highlights of the Year

- The total number of plans purchased since Funeral Planning Trust was founded in 1995 now exceeds 86,000. Over 9,600 plans were purchased during the last year.
- More than 31,000 funerals have been paid for by the trust in the past 21 years, including 4,000 funerals funded in the last year.
- The number of active plans (where the funeral has not been provided nor the plan cancelled) was in excess of 53,000 at the year-end.
- The trust fund value exceeded £174 million at the year-end, equivalent to 125% of the original funeral value or 119% of the current funeral costs.
- The annual actuarial valuation on 31st March 2016 resulted in an £18 million surplus of assets over liabilities after providing for a distribution of £1 million.
- A 2.6% Funeral Payment Enhancement was announced in March 2016 for the forthcoming year. For comparison purposes, the increase in the Retail Prices Index for the year to March 2016 was 1.3%.

Investment Portfolio Summary

The investment managers of Funeral Planning Trust are LGT Vestra LLP. The market value of Funeral Planning Trust investments at the year-end were as follows:

	Market Value	
	31.03.16 £'000	31.03.15 £'000
Index linked and fixed interest bonds	132,756 (77%)	123,396 (79%)
Equities and other investments	37,764 (22%)	32,575 (21%)
Cash held by Investment Managers	77 (1%)	30 (0%)
	170,597	156,001

Audit Report

The information in this report has been extracted from the Annual Report and Financial Statements of Funeral Planning Trust for the year ended 31st March 2016. The accounts were audited by Larking Gowen. The audit is unqualified (i.e. the auditors are satisfied that the statements give a true and fair view of the trust's affairs) and complies with the accounting requirements of the regulatory authorities including the recently introduced Financial Reporting Standard 102.

Actuarial Valuation

Funeral Planning Trust was valued as at 31st March 2016 by Oliver Wyman, actuaries to the trust. The valuation was performed in accordance with the Technical Actuarial Standards relating to Funeral Plans as set by the Financial Reporting Council.

The liabilities of the Trust have been determined on actuarial principles by discounting the expected future payments at an appropriate interest rate and using prudent mortality rates. The interest rate was chosen having regard to the value and nature of the assets held, their expected future income and redemption proceeds.

The liabilities of the Trust, including the expense reserve and a notional allowance for future funeral payments enhancements ("FPE") on this basis amount to £155.7m compared to total net assets of £174.7m. After a distribution of £1m this resulted in a surplus of £18m.

New actuarial regulations came into place this year which require an additional analysis of the real liabilities to plan holders, ie the contract to provide a specific funeral when required. This highlights the actual amount needed to carry out the funerals and the expected payments from the Trust. The valuation concluded that there is sufficient money in the scheme to cover the expected costs of providing the future funerals, even when tested against a range of potential adverse circumstances.

Provisions

The future liabilities of the trust to meet payment for funerals as they fall due have been determined by the actuaries and provided for in the Statement of Assets.

“What if all the funerals had been required at the year-end?” Although an extremely unlikely scenario, this hypothetical question provides a simple measure of the health of the trust fund.

If the payment for all funerals covered by Funeral Planning Trust had actually fallen due at 31st March 2016 the liability would have been £155.5 million and this was more than covered by the audited value of the trust’s assets on that date.

Funeral Plan Statistics

	Number of Plans	Plan Value £'000
At the beginning of the period	48,173	119,488
Additions - new funeral plans sold net of expenses	9,686	30,372
Deductions - funerals provided and plans cancelled	(4,050)	(10,334)
At the end of the period	53,809	139,526

The plan value represents the original amount paid by the plan holders and held on trust to pay for their funerals or, in the event of a plan being cancelled, to provide a refund.

Trust Status

Funeral Planning Trust was created by a deed dated 13th November 1995 and amended by deeds of variation dated February 2002, March 2003, December 2011 and July 2014 and is governed by the rules therein.

The Funeral Planning Trust was established by Funeral Planning Services Limited to hold and invest funeral payments received by the company for the funding of funeral services.

The funds are held by the trust until such time as they are required to pay for funerals. The trust deed places a limitation on the company's entitlement to withdraw surpluses and also obliges the company to make good any deficits. Funeral Directors are paid for their services only after the funerals have been provided.

	2016 £'000	2015 £'000 <i>(restated)</i>
Income		
Funeral plan receipts	32,372	30,038
Investment income	5,488	3,242
Total income	37,860	33,280

Expenditure

Plan management and administration	2,000	1,572
Funerals purchased	11,448	10,290
Plan refunds	272	227
Expenses	636	636
Taxation (refund)	62	908
Distribution	1,400	-
Total expenditure	15,818	13,633
Net income for the year	22,042	19,647
Movement in provision for future liabilities	(19,848)	(7,658)
Investment gains (losses)	(6,079)	11,684
Net new money for the year	(3,885)	23,673
Net assets at the start of the year	24,629	956
Net new money for the year	(3,885)	23,673
Net assets at the year-end	20,744	24,629

Statement of Assets

	31.03.2016 £'000	31.03.2015 £'000 <i>(restated)</i>
Investments	170,597	156,001

Current Assets

Debtors	6,476	5,890
Cash at bank	5,775	5,596
	12,251	11,486

Current Liabilities

Creditors: amounts falling due within one year	(6,435)	(7,037)
Net current assets	5,816	4,449
Trust Fund held to meet future liabilities	176,413	160,450
Provision for future liabilities	(155,669)	(135,821)
Net assets at the year-end	20,744	24,629

Regulation of Funeral Prepayment Plans

Funeral Planning Services Ltd is registered with the Funeral Planning Authority, the regulatory body for the sale and administration of funeral prepayment plans in the UK. The Funeral Planning Authority has a responsibility to monitor funeral plan companies and funeral prepayment funds to ensure security for the plan holders and Funeral Directors.

The audited financial statements of Funeral Planning Trust and an actuarial valuation of the fund are submitted annually to the Funeral Planning Authority.

Partly in response to campaigning by the National Association for Pre-paid Funeral Plans, a section of The Financial Services and Markets Act 2000 strengthened consumer protection with the introduction of legal requirements for funeral prepayment funds. Funeral Planning Services Ltd and Funeral Planning Trust fully comply with the requirements of the Financial Services and Markets Act 2000.



Managing Trustees

At 31st March 2016 the Managing Trustees were:

B R Goodfellow, R Humphrey, J J A Mobbs, M E Peters and N V Taylor.

J J A Mobbs and N V Taylor are directors of Funeral Planning Services Limited.

B R Goodfellow, R Humphrey and M E Peters are not connected with the company.

Investment Managers

LGT Vestra LLP provides investment management services to a wide range of clients including trustees, friendly societies, corporate and private clients, with over £6 billion of assets under management. The team dealing with Funeral Planning Trust each have more than thirty years of investment experience.

Custodian Trustee

Capita Trust Company Limited is part of Capita Asset Services a division of Capita plc a FTSE100 company. Capita Trust Company Limited is one of the largest independent trustees in the UK and provides trustee, corporate and ancillary services to a wide range of institutional, corporate and private clients worldwide.

Actuaries

Oliver Wyman provide a wide range of strategic, risk and actuarial advice to insurers and friendly societies, from the largest global corporations through to domestic providers operating in defined market segments such as funeral plan providers.

Auditors

Larking Gowen is one of the top fifty independent accountants in the UK, serving East Anglia and its surrounding counties. Although the practice has records going back to 1888 it is based on the accountancy and financial management needs of today: offering professional services to a wide range of commercial, private and charity clients.

Financial Management



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