National Funeral Trust

Solvency Assessment Report
as at 31 December 2025

13 March 2026

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This report has been prepared by PricewaterhouseCoopers LLP based on the instructions provided by the Trustees of the National Funeral Trust ("the Trust") ("the Trustees" also referred to below as "our addressee client") and, where appropriate, incorporates the advice of the responsible Actuary, Emma Morton, who is a Partner at PricewaterhouseCoopers LLP, for the sole purpose that is set out in the Executive Summary.

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A copy of this report has been sent to Dignity Funerals Limited ("the Company") as set out in our agreement with them dated 25 September 2024. Under the basis of that agreement, the Company accepts that the work we have carried out is for the Trustees only and we do not accept any responsibility to any other party for it. In particular, we note that the Company will share this report with the FCA and will place it on its website, in its entirety only, as required by the FCA but PricewaterhouseCoopers LLP accepts no responsibility to anyone who may view the report other than the Trustees.

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Executive summary

The purpose of this Solvency Assessment Report ("SAR") is to advise the Trustees of the National Funeral Trust ("the Trust") ("the Trustees") of the results of a Solvency Assessment completed with an effective date of 31 December 2025 ("the valuation date"). The Trustees instructed us to perform this valuation, with an effective date of 31 December 2025, on 1 February 2026. This report is produced in line with the FCA regulations that took effect on 29 July 2022, and follows the requirements set out by the FCA in the FCA handbook and specifically FPCOB 3.2.

The previous solvency assessment was completed with an effective date of 31 December 2024.

The solvency assessment values a "cover level" for each plan held by the Trust. The cover level is the amount the Company will withdraw from the Trust to provide a funeral for the plan holder. The cover level is determined by the Company and provided to us for the purpose of carrying out a valuation.

In valuing the liabilities of the Trust we have only considered the plans in force at the valuation date, and have made no allowance for any financial support that may be available from the Company.

The FCA requires that liabilities are measured on a "best estimate" basis, which is a basis where there is an equal chance that actual results will be either better or worse than assumed. The FCA's definition of the "solvency level" (used in this report) is the ratio of trust assets over trust liabilities, measured on a best estimate basis.

The market value of the Trust's assets as at 31 December 2025 has been calculated to be **£479.7m** (including **£32.2m** for the discounted value of outstanding instalments for existing plans). The best-estimate liabilities of the Trust was calculated to be **£421.3m**, which results in:

A **surplus** - i.e. assets less ongoing liabilities - of **£58.4m**

A **solvency level** (as defined by the FCA) of **114%**

As at 31 December 2024 the Trust had a surplus of £114.4m on a best estimate basis corresponding to a solvency level of 128%.

Since the previous SAR, the Trustees have instructed Mercer to de-risk the Trust's assets to better match the Trust's predicted liability cash flows and reduce the mismatching risk. The decrease in solvency level is partly due to this de-risking, which has led to lower expected returns and a more prudent measure of the liabilities, and partly due to a withdrawal of part of the surplus from the Trust. The Trust continues to be in a position of surplus under the measure of solvency defined by the FCA.

This report, taken together with our data report, assumptions paper and supplementary valuation results report, has been prepared in accordance with the Technical Actuarial Standards, issued by the Financial Reporting Council, that are relevant to the scope of this work insofar as they apply. These are TAS 100 V2.0 (Principles for Actuarial work, dated March 2023) and TAS 400 V3.0 (Funeral plan trusts, dated July 2023).

Description of plans

Funeral plans are paid for by either a single payment at the outset or monthly instalments. Instalment payment plans are payable over a term of up to 25 years.

The cover level valued includes:

- Funeral Director Services or “FDS” cover covering the cost of providing the funeral; and
- Disbursements covering additional services such as third-party cremation costs and Ministers fees.

We understand the FDS cover exceeds the marginal cost of providing a funeral and therefore includes an element to cover administration and profit.

The cover levels are increased each year either by a discretionary increase, where the plan holder’s funeral is guaranteed by the Company to be provided at no extra charge, or in line with increases in the Retail Prices Index (“RPI”). The Company informs us of the discretionary increases applied to cover levels each year. The split of plans between discretionary and RPI increases is shown in the table on page 6.

Beginning in 2019, some instalment plans were taken out alongside an insurance product offered by L&G to cover any instalments outstanding on the death of the plan holder. For older plans without insurance we have assumed that any outstanding instalments must be paid on the death of a plan holder in order for the funeral to be provided.

On cancellation of a plan the plan holder receives back the instalments paid to date, less a cancellation fee (noting that all plans were sold prior to the FCA regulations coming into effect on 29 July 2022).

The Trust was closed to new business from July 2022.

The liabilities valued in this valuation are the liabilities of the Trust, rather than the Company, which are based on the funeral cover levels in the data provided to us.

The plan holder data used in our valuation, including data on outstanding instalments, is effective as at 31 December 2025.

During the year to 31 December 2025, the Trustees agreed with the Company to remove the reserve held for doctors’ fees from the Trust’s liabilities. Previously the cover level for certain plan holders included an amount to cover the cost of documentation required by a GP or medical practitioner on cremation. Following the reform of the death certification system in England and Wales this certification process is no longer required. This change is not yet reflected in the data and so we have made an approximate adjustment to allow for this.

We have not considered the effects of any potential extra costs that may be borne by the Company should the actual funeral costs for guaranteed funeral plans exceed the cover levels provided.

Summary of plan holder data

Plan holder data for the valuation of the Trust's liabilities, including outstanding instalment data, was supplied in electronic format by the Company on 27 January 2026. The cover level is paid to the Company on death of a plan holder. This includes plans which have lapsed provided the unpaid instalments are paid by the estate of the deceased or covered by insurance.

The cover levels are either subject to discretionary increases or, in a limited number of cases, increased in line with increases in RPI, as set out below.

Group plans are those where Dignity is responsible for providing the funeral, non-group plans are those where an independent party is responsible.

	Number of plans (including lapses)	Total cover level[2] (£)
FDS discretionary – group	130,425	281,455,332
FDS discretionary – non-group	12,057	25,080,485
FDS linked to RPI	9,477	38,254,649
Disbursements – discretionary	134,576	166,600,872
Disbursements linked to RPI	17,383	24,242,722
Total	**151,959[1]**	**535,634,060**

1. All plans have an element of FDS cover and Disbursement cover
2. The cover levels include amounts relating to doctors' fees for some plan holders. We have made an approximate allowance to remove these in the valuation given they are no longer needed (see page 5).

The Company granted the following increases to discretionary cover levels (i.e. those not linked to RPI) on 1 July 2025:

FDS – group: 2.75%

FDS – non-group: 2.75%

A summary of plans split by payment type is given below:

	Number of plans	Total cover level* (£)	Average cover level* (£)
Lump Sum	96,060	343,297,337	3,574
Instalment (fully paid)	36,872	130,647,797	3,543
Instalment (outstanding)	19,027	61,688,926	3,242
Total	**151,959**	**535,634,060**	**3,525**

* FPCOB 3.2 requires disclosure of 'plan value' in this report. 'Plan value' is not defined by the FCA and so we have interpreted it to refer to cover levels (as defined in this report). However, we believe that other interpretations are possible.

Included within the figures on this page are 2,241 lapsed plans and 135 plans flagged as either "Moved away" or "Awaiting cancellation". These plans have been valued as active plans with an allowance for the outstanding instalments to be paid and with the cover level valued in full.

Whilst we carry out reasonableness checks on the data we are not in a position to independently verify it and so we rely on what has been provided by the Company. For a relatively small number of plans the data was incomplete or invalid. After consultation with the Company we have made appropriate estimates. Any error caused by the estimates is unlikely to be material.

Assets

Details of the assets held by the Trust were provided by the Company on 23 February 2026. We have also been provided with extracts of the unaudited management accounts dated 26 December 2025. Audited accounts are not yet available at these dates and so these figures have not been independently verified. Invested assets are held with LGIM (32% of total invested assets) and Mercer (68%) at the valuation date.

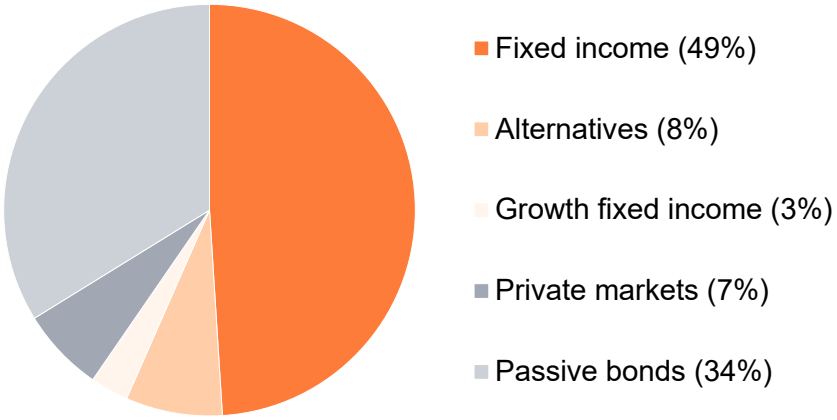
Over 2025, the Trustees instructed Mercer to de-risk the Trusts' assets to better match the Trust's predicted liability cash flows and reduce the mismatching risk. Whilst key steps to de-risk the assets have been implemented the transition to the ultimate long-term allocations is still in progress. The chart opposite shows the actual allocation of assets held at the valuation date.

As at 31 December 2025	£000s	Notes
Investments	445,537	
Cash & net current liabilities	2,348	1
Value of Trust assets	447,885	
Receipt of outstanding instalments	32,150	2
Marketing expenses due to Company from outstanding instalments	(331)	3
Total assets for valuation	**479,704**	

1. This is made up of: £7,874k of short term deposits and cash, plus other debtors of £192k, less accruals of £5,718k. These amounts were provided as at 26 December 2025, because no data was available at 31 December 2025; we do not expect this to have any material impact on the results.
2. The present value of outstanding instalments, discounted at assumed rate of investment return shown on page 10.
3. Present value of the amount due to the Company in respect of marketing expenses for some plans, payable as future instalments are received.

Monies deducted from Trust over period from 31 December 2024 to 31 December 2025 (£m)	
Cancellation payments	9.6
Payments on death during the year	34.2
Refunds in relation to doctors' fees	0.3
Maintenance and admin fees	2.0
Repayment of marketing expenses	0.7
Advisor fees	0.2
Surplus paid to Company	30.0

Split of invested assets at 31 December 2025



Split of assets provided by Mercer.
Values do not sum due to rounding.

Valuation method and assumptions

Liabilities

For the valuation we have assumed that the Trust continues to fully support existing plans and does not wind up during the lifetime of any current plan holders. Liabilities have been valued by:

01

Projecting future cover levels allowing for discretionary or RPI increases (where appropriate) between the valuation date and the date of payment.

This part of the method applies only to benefits payable on the death of a plan holder, as the projected cancellation amount of a given plan does not change.

02

Identifying future cash flows by calculating the probability of a plan holder's death and cancellation in each future time period and multiplying this by the projected value of the cover level or cancellation payment in each instance.

03

Discounting each future cash flow from the date of projected payment back to the valuation date at the assumed best estimate rate of investment return to value liabilities.

The assumptions used are shown on pages 10 and 11.

For instalment plans, if there are any outstanding instalments due when the plan holder dies, we have assumed that they are paid from the plan holder's estate, or where applicable, an insurance policy held by the Company.

An expense reserve is included in the value of liabilities, which has been calculated as the capitalised value of future expenses taking into account:

- An expected annual expense amount for the Trust based on expenses over recent years
- The expected number of existing plan holders remaining in the Trust in each future year
- Increases in expenses at a rate of CPI+2% p.a. and discounting future expenses at the rate of assumed investment return.

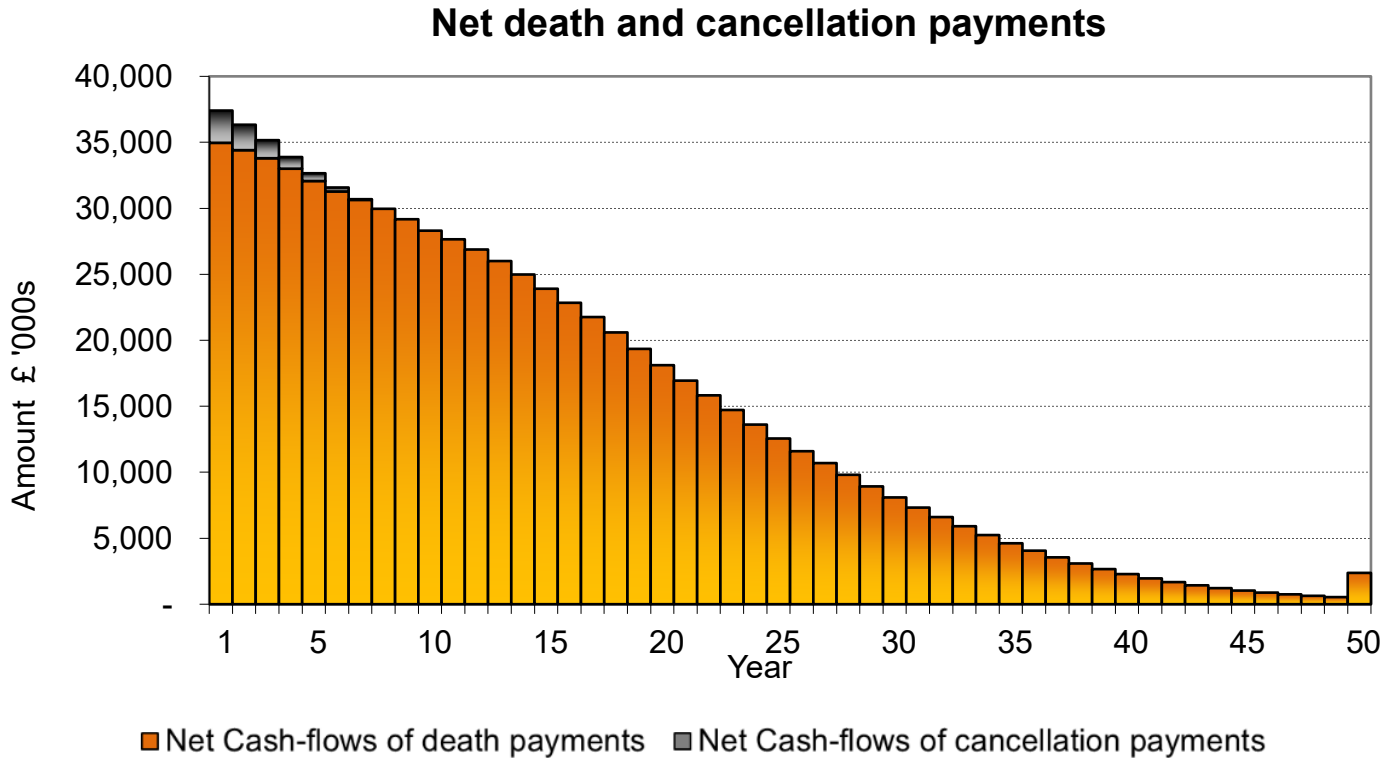
Assets

We have valued invested assets at their market value. We have included outstanding premium instalments as an asset, calculated by discounting the payments due in future years in line with the best estimate investment return.

Valuation method and assumptions

Expected Trust cash flows

This chart shows expected cash flows over the next 50 years using the valuation model described on the previous page.



Please note that any cash flows projected to be paid beyond year 50 have been grouped into the year 50 cash flow above, as the annual cash flows past this point are not material.

Valuation method and assumptions

Discount rate

The discount rate at 31 December 2025 has been derived using an asset-led approach having taken into account the views of Mercer, the Trustee's Outsourced Chief Investment Officer.

Since the previous SAR, the Trustees have instructed Mercer to de-risk the Trusts' assets to better match the Trust's predicted liability cash flows and reduce the mismatching risk. Whilst key steps to de-risk the assets have been implemented the transition to the ultimate long-term allocations is still in progress. We have set the discount rate based on best estimate returns under the long-term allocations of the new strategy:

- Credit (65%)
- Liability Driven Investments (35%)

This has resulted in a lower discount rate at 31 December 2025 than at the previous valuation date.

RPI inflation

The RPI assumption is set using the Bank of England inflation curve.

CPI inflation

The CPI assumption is based on the RPI inflation curve described above, with further deductions of 1% p.a. pre-2030 and nil post-2030 to allow for the anticipated difference between RPI and CPI.

Cover increases

Where contractually linked to RPI, funeral cover is assumed to increase in line with the RPI assumption.

Where increases are discretionary, both FDS cover and Disbursement cover are assumed to increase in line with the CPI assumption.

We have adjusted the RPI inflation curve in Year 1 to allow for the impact that recent known levels of inflation could have on the Trust's RPI linked cover levels over the next year.

The valuation model uses the full inflation curves, applying the relevant spot yield from the curves to the future cash flows. The 'Year 2 onwards' rates shown in the table are single equivalent rates shown for presentation purposes only.

Expenses

Expenses are assumed to increase at a rate 2% p.a. higher than the assumed long-term rate of CPI.

Tax

We have assumed no tax is payable other than on a refund of surplus, as advised by the Company.

Financial assumptions summary		Dec 2024 % p.a.	Dec 2025 % p.a.
Investment return / discount rate		6.60	5.50*
RPI linked cover increases	Year 1	2.95	2.60
	Year 2 onwards	3.25*	3.10*
Discretionary cover increases		2.75*	2.65*
Expense inflation		4.75*	4.65*

* Single equivalent rates shown for presentational purposes only. The full discount rate or inflation curves are used in practice.

Valuation method and assumptions

Demographic assumptions

Mortality

The mortality of plan holders is assumed to be in line with the English Life Tables No. 17 (“ELT 17”) tables, which is broadly consistent with past experience of the Trust and is reviewed periodically.

No allowance is made for future improvements in longevity.

Cancellation

Cancellation assumptions are based on previous Trust experience. We use different assumed cancellation rates depending on the number of years since the plan was taken out, with an assumption of no further cancellations after a plan has been held for 10 years.

Valuation results

The results of the valuation on the best estimate assumptions as described on pages 10 and 11 are shown below.

As at 31 December 2025	Best Estimate Results (£000s)
Funeral Director Services	260,353
Disbursements	139,826
Present value of outstanding instalments payable on death	(7,145)
Present value of payments payable on plan cancellation	6,944
Expense reserve	21,359
Total Liabilities	**421,337**
Value of Trust assets	447,885
Receipts of outstanding instalments	32,150
Marketing expenses due to Company from outstanding instalments	(331)
Total Assets	**479,704**
Surplus / (deficit)	**58,367**
Solvency level	**114%**

Approximately **92%** of the Trust's liabilities relate to funeral plans where Dignity is responsible for providing the funeral, with a third party responsible for providing funerals for the remaining plans. See page 6 for further information and a split of the cover levels.

Sensitivity analysis

Financial assumptions

The results are sensitive to the valuation assumptions, in particular to the discount rate and inflation assumptions. The scenarios in the table below would have an impact on the Trust's surplus and solvency level, as shown.

Assumption sensitivity[1]	Change in assumption	Best estimate surplus (£000s)	Impact of change (£000s)	Solvency level
Base result	-	58,367	-	114%
Discount rate[2]	+ 1% p.a.	90,006	31,639	123%
Inflation assumption[3]	+ 1% p.a.	18,731	(39,636)	104%
Life expectancy[4]	+ 1 year	70,048	11,681	117%

1. Results show the impact on the surplus of a change in the assumption in isolation for illustrative purposes.
2. The discount rate sensitivity allows for the impact on the present value of future instalments but otherwise we have assumed the value of assets remains unchanged. This is unlikely to be the case as market movements affecting the discount rate assumption would also impact on the value of the assets held.
3. The inflation assumption sensitivity allows for a +1% p.a. increase to the RPI inflation assumption, applied to the full inflation curve, and including the subsequent impact on the CPI inflation assumption. We have assumed the value of assets remains unchanged. This is unlikely to be the case as market movements affecting the inflation assumption would also impact on the value of the assets held.
4. Sensitivity to life expectancy based on the assumption that all plan holders live one year longer.

Cancellation

The Trust had sufficient assets at the valuation date to cover a scenario where every plan holder cancelled their plan if the Trust was not required to pay the associated cancellation fee to Dignity.

Risk and uncertainties

As well as the risks highlighted in this paper, the Trusts are exposed to the following risks which need to be managed appropriately:

Investment risk: the risk that the actual asset returns on the Trust's assets are lower than the assumed rate of return over the long term. Specifically, whichever investment strategy the Trust follows, there may be a number of investment risks to consider, including:

- **Mismatching risk**: the risk that differences between the characteristics of the liability cash flows and the trusts' assets result in the value of liabilities increasing as a result of certain market conditions without a corresponding increase in the assets.
- **Currency risk**: the risk of unfavourable currency movements on any unhedged overseas assets, given the liabilities are all in GBP
- **Manager risk**: the risk that the investment manager underperforms their given benchmarks or makes asset allocation decisions that lead to each Trusts' assets underperforming the liabilities

Inflation risk: the risk that a period of high inflation results in higher than expected increases to cover levels leading to a deterioration of the Trust's funding position and / or the risk that cover levels are insufficient to cover the cost of providing funerals.

Liquidity risk: if the Trust experiences unexpected net cash outflows there could be liquidity risks within the current investment strategy. For example, this could occur if a high number of cancellations required significant refunds to be paid.

Data: the risk of errors in the underlying data which would directly impact the valuation of the Trust's liabilities.

Mortality and cancellation: this risk that mortality and cancellation experience may not follow the assumptions made meaning that payments from the Trust assets would be required sooner than expected.

Covenant risk: the risk that the Company is no longer able to support the Trust or provide the funerals promised to plan holders at the agreed cover levels, and the Trust is unable to secure funerals from another provider at the cover levels valued.

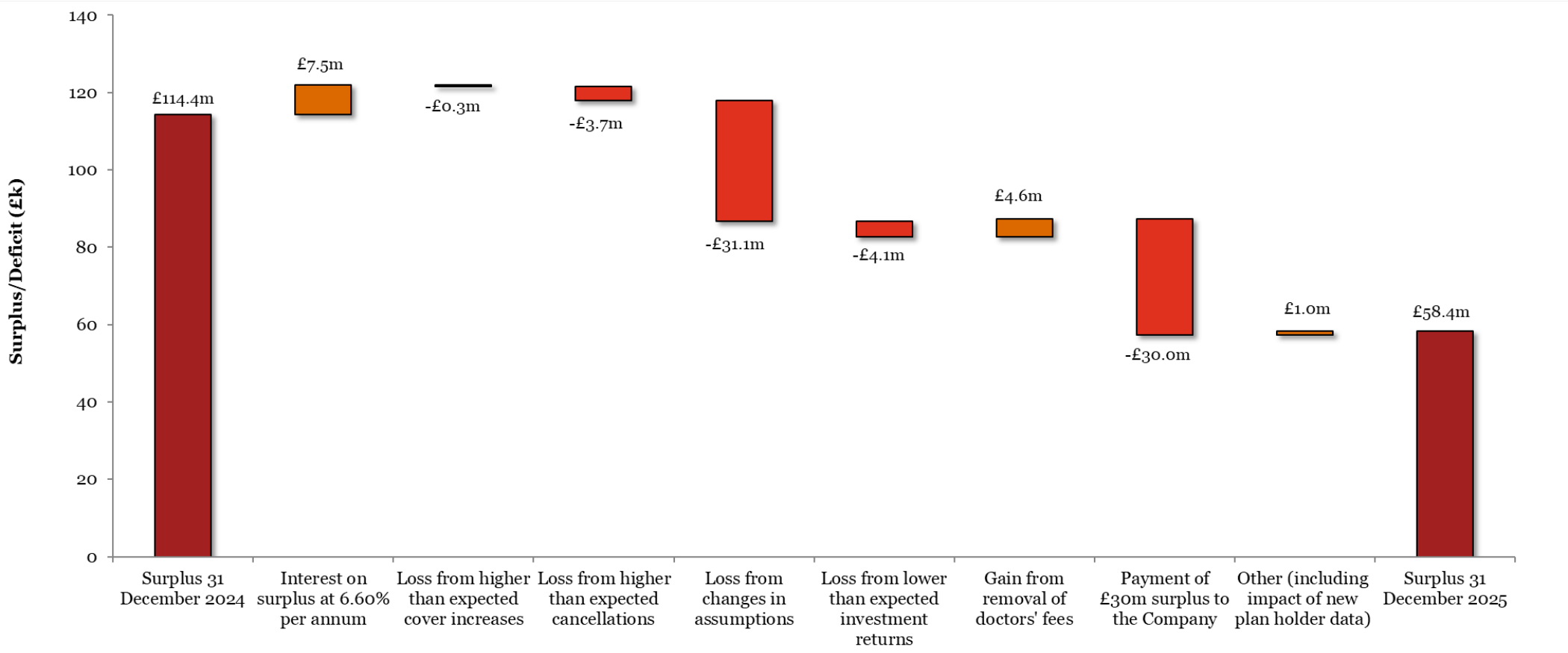
Reputational risk: the risk that Dignity's reputation deteriorates, resulting in a large number of unexpected cancellations.

Climate risk: the risk that the physical consequences of climate change lead to earlier deaths than expected, and investment risk due to the effects of a transition to a lower carbon economy on the investment markets.

Regulatory risk: the risk that the current FCA regulated regime changes, resulting in higher than expected costs or increased liabilities for the Trust.

Analysis of surplus

The chart on this page sets out the key reasons for the increase in surplus over the year, from £114.4m at 31 December 2024 to £58.4m at 31 December 2025.

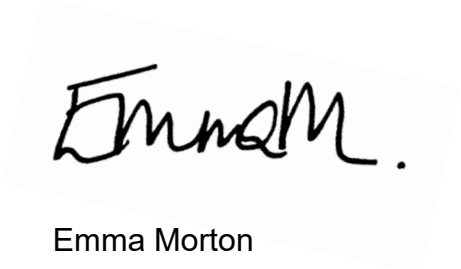


Conclusion

This report sets out the results of the solvency assessment of the Trust as at 31 December 2025.

As measured on the best estimate assumptions, the results show a surplus of £58.4 million, equivalent to a solvency level of 114%.

For compliance with the documentation of the Trust and FCA regulations, we understand that the next assessment should be carried out with an effective date no later than 31 December 2026.



Emma Morton

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13 March 2026

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This paper has been prepared only for the Trustees of the National Funeral Trust and solely for the purpose and on the terms agreed with the Trustees of the National Funeral Trust and on the terms agreed with us in our engagement letter dated 27 September 2022. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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