

Solvency Assessment Report as at 31 December 2025

Distinct Funeral Plans Trust



Analytics as a Service

19 March 2026

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1 Executive Summary

- 1.1 This report documents the Solvency Assessment Report (“SAR”) of the Distinct Funeral Plans Trust (the “Trust”) as at 31 December 2025. In performing this valuation, it should be noted that the result shown, and the financial position assessed, is based on the set of valuation assumptions described in this report. These assumptions, together with the methodology used, are critical to the valuation. As such, it would be possible to assess a different financial position under different assumptions, and, therefore, the Trustees should be aware of this variation in results and that the valuation shown is an estimate based on the central assumptions used.
- 1.2 The Distinct Funeral Plan Trust was established in May 2021 and Distinct Funeral Plans Limited (“Distinct”, or the “Company”) started selling funeral plans in September 2021.
- 1.3 This report has been prepared for the Trustees of the Distinct Funeral Plans Trust. Zenith Actuarial Limited does not accept or assume responsibility for any other purpose or to any other party who reads this report.

Actuarial valuation result

- 1.4 The valuation shows a solvency ratio of 128% as at 31 December 2025.

Distinct Trust Solvency Balance sheet (£m)	Dec-25	Dec-24
Assets	14.1	12.8
Liabilities	11.1	9.8
Surplus	3.1	3.0
Solvency Ratio	128.0%	130.9%

- 1.5 The growth in both the assets and liabilities is due to an increase in the number of plan holders over 2025 and the investment return achieved.
- 1.6 There was a £750k withdrawal from the Trust which was completed in December 2025 which has reduced the surplus. The Medical Examiners Fees provision at 31 December 2024 of £485k has been released which has increased the surplus.

2 Introduction

Purpose and users of this paper

- 2.1 This paper has been prepared for Distinct Funeral Plans Trust to outline the solvency position of the Trust as at 31 December 2025.
- 2.2 The report has been prepared in order to meet the requirements for a Solvency Assessment Report as set out in FPCOB 3.2.3.

Operation of the Trust

- 2.3 We note that plan contributions and instalments are paid directly into the Trust upon receipt by Distinct. As part of the monthly operation of the Trust, Distinct draw down the associated administration fees for the plans. In my view this process provides additional security for planholders as their monies are paid directly into the Trust, rather than a Distinct holding account. Further:
 - I am comfortable with the current arrangement of reclaiming the administration fees after 30 days from the Trust without the need for approval from the Actuary each month;
 - I am comfortable that this arrangement does not have an adverse effect on the solvency of the Trust; and
 - I expect to keep a watching brief and review this approach on an annual basis.

Professional Guidance

- 2.4 Members of the Institute and Faculty of Actuaries must comply with Actuarial Professional Standards (“APSs”) when carrying out work. In addition, the Financial Reporting Council specifies a number of Technical Actuarial Standards (“TAS”). This paper has been produced with consideration of the standards listed below, and in the opinion of Zenith Actuarial complies with the relevant standards.
 - APS Z1: Duties and responsibilities of members undertaking work in relation to UK funeral plans
 - TAS 100: General actuarial standards
 - TAS 400: Funeral plans

3 Data

3.1 Distinct has provided the following data relating to the Trust as at 31 December 2025:

- Records relating to individual planholders, both in-force and those no longer in-force. The table in 5.11 shows a summary of the funeral plans by payment method valued as at 31 December 2025.
- The Trust's draft financial statements for the year ended 31 December 2025.
- The amount of assets invested with Royal London Asset Management ("RLAM") and related information on RLAM's investment funds, together with RLAM's investment management fees.
- The estimated cost as at 31 December 2025 to Distinct of fulfilling each funeral.
- Information on the Trust's running costs.
- Schedules of current and historic plans, together with prices per plan type and the Distinct administration fee drawdown amounts.

3.2 We have relied on the data provided but have performed reasonableness checks.

4 Financial Statements and asset data

Financial statements

- 4.1 The table below shows the draft income and expenditure account from the financial statements of the Trust for the year ended 31 December 2025.

Income and Expenditure account (£'000)	Dec-25	Dec-24
Income from plan holders on settled plans	1,184	1,012
Surplus on active plans	497	828
Income	1,681	1,840
Funeral and cremation claims on settled plans	(624)	(538)
Administration and marketing fees on settled plans	(537)	(435)
Trustee administration fees	(41)	(42)
Actuarial fees	(44)	(88)
Accountancy fees	(71)	(62)
Insurance	(7)	(7)
Taxation	(172)	(124)
Surplus distribution to trading company	(750)	-
Expenditure	(2,246)	(1,295)
Bank and investment interest received	435	313
Change in market value of investments	701	349
Bank and card charges	(77)	(97)
Investment Manager fees	(36)	(26)
Returns on investments	1,023	538
Net income/(expenditure) for the period	458	1,083

- 4.2 In the Trust financial statements, income from plan holders and the payment of the administration and marketing fees are only recognised when the funeral service has been delivered (so after the death of the plan holder). Surpluses on plan sales are recognised within income when the plan is initially sold.
- 4.3 In the Income Statement above it can be seen that the Trust has paid out monies in respect of funerals delivered and the associated marketing and administration fees. Additionally, the Trust has incurred a certain level of bank charges, the majority relating to card charges for processing the plan payment.
- 4.4 In addition, an amount of £750,000 was paid from Distinct Funeral Plans Trust to Distinct Funeral Plans Limited in respect of a surplus drawdown.

Summary of Trust Assets

- 4.5 At 31 December 2025, the Trust’s investment assets were invested with Royal London Asset Management (“RLAM”), the selected investment manager.
- 4.6 We have taken these market value asset figures from the draft financial statements (received 25 February 2026) and investment reports from RLAM (received 14 January 2026). We have treated all asset details provided to us as being the market value (or fair value). We rely on the fact that these figures will form part of the audited financial statements and have not sought to independently verify them.
- 4.7 The assumption for the long-term strategic asset allocation has been based on that provided by the Trustees:

Asset class	%
Cash	5%
Gilts	5%
Index linked gilts	5%
Investment grade credit assets	30%
High yield bonds	5%
Equity, property, commodities	50%
Total	100%

Summary of assumptions

- 4.8 The table below outlines the best estimate assumptions to be used in the calculation of the valuation of the liabilities of the Trust. These assumptions have been set based on information provided by and discussed with Distinct.

Assumption	December 2025	December 2024
Funeral cost inflation	2% p.a.	2% p.a.
Discount rate	4.05% p.a.	4.1% p.a.
Cancellation rate	1% p.a. for all durations	1% p.a. for all durations
Mortality	140% of NLT 14-16	140% of NLT 14-16
Expenses	£9.00 p.a. per plan, increasing at 3% p.a.	£6.50 p.a. per plan, increasing at 3% p.a.
Funeral costs	£817 - £1,991 depending on plan type	£760 - £1,806 depending on plan type

- 4.9 The assumption for funeral cost inflation has been based on the expected long-term CPI rate, the nature of the direct cremation market and the commercial relationship between Distinct and the cremation provider Westerleigh Group.

4.10 The discount rate has been set by considering the expected strategic (or longer term) asset mix in 4.7, and the expected future returns on such asset classes, and then adjusting for tax, and finally for investment management fees. It should be noted that this is a subjective process, and whilst we have applied our judgement, it is an important part of the assumption/valuation process. A key assumption is the 'risk premium' over the gilt yield for each asset class, which represents the extra return that might be achieved by holding riskier assets. The key risk premiums assumptions were:

- 4% p.a. for equities, commodities and property;
- 0.4% p.a. for investment grade bonds; and
- 1.4% p.a. for high yield bonds.

Note that a cap of 8% p.a. was applied to the expected future return for equities, commodities and property.

4.11 Cancellation rates and mortality rates have been set taking account of experience to date on the Distinct Trust plans together with future expectations.

4.12 Per-plan expense assumptions have been set based on expected Trust running costs for 2026 and average expected plan numbers in 2026. The expense inflation assumption has been set broadly in line with RPI.

4.13 The funeral costs are based on those currently charged to the Trust by Distinct Funeral Plans Limited.

Service level agreements

4.14 No service level agreements are in place with external providers.

5 Valuation Results

Summary of valuation results

- 5.1 The balance sheet for the actuarial valuation as at 31 December 2025 and the prior year is shown below.

Balance Sheet (£m)	Dec-25	Dec-24
Listed Assets	13.9	12.4
Cash at bank	0.2	0.4
Market value of Assets	14.1	12.8
Value of funeral costs	8.6	6.8
Value of future instalments	(0.2)	(0.3)
Value of cancellations	0.9	0.8
Value of Trust expenses	1.0	0.7
Administration fees due	0.2	0.7
Current liabilities	0.5	0.7
Medical Examiners Fees provision	0.0	0.5
Liabilities	11.1	9.8
Surplus	3.1	3.0
Solvency ratio	128.0%	130.9%

- 5.2 The growth in both the assets and liabilities is due to an increase in the number of plan holders over 2025 and the investment return achieved. The growth reflects the impact of new business on the overall Trust size, with 11,444 plans in-force at December 2024 growing to 12,929 plans at December 2025.
- 5.3 There was a £750k withdrawal from the Trust which was completed in December 2025 which has reduced the surplus. The Medical Examiners Fees provision at 31 December 2024 of £0.5m has been released which has increased the surplus.
- 5.4 The value of funeral costs reflects the discounted value of the expected future funeral costs, allowing for funeral cost inflation.
- 5.5 The value of future instalments reflects the projected instalments expected to be received by the Trust on plans paying by up to 12 monthly instalments.
- 5.6 The value of future cancellations is the present value of that part of the refund from the Trust to plan holders who are expected to cancel their plans.
- 5.7 The value of future Trust expenses is the discounted value of the expected future administration expenses.

- 5.8 The 'Administration fees due' are monies due from the Trust to the Company relating to that part of the plan holder premium due to the Company, and are included in the Current Liabilities of the draft Financial Statements Balance Sheet for the year ended 31 December 2025.
- 5.9 The Current liabilities are those from the draft Financial Statements Balance Sheet for the year ended 31 December 2025 less the 'Administration fees due' from that balance sheet.
- 5.10 The Medical Examiners Fees provision at 31 December 2024 related to the potential voluntary reimbursement to plan holders arising from the implementation in September 2024 of the new Medical Examiner Scheme in England and Wales. The proposal did not proceed and so the provision was released at 31 December 2025.

Summary of funeral plans

- 5.11 The table below shows the summary of the funeral plans by payment method.

The plan value is the sum of the value of funeral costs, future instalments, cancellations and Trust expenses for the plans under each payment method.

Payment method	Plan Count	Plan Value (£'k)	Average value (£)
Single Payment	10,786	8,817	813
Fully paid Instalment	1,715	1,379	804
In payment Instalment	428	186	434
Total	12,929	10,382	799

Sensitivity analysis and key risks

- 5.12 The results of the valuation are sensitive to some of the key assumptions adopted, in particular the discount rate and the projected funeral costs for each plan holder.
- 5.13 A 1% increase/decrease in the discount rate will decrease/increase the valuation of liabilities by around 10%. However, the asset values, particularly the gilts and corporate bonds, would also be affected in such circumstances. There is the risk that the financial position will change in a potentially material way if actual investment returns are significantly different to the assumed returns underlying the discount rate.
- 5.14 On cancellation, the Trust liability is a cash sum equal to the amount paid by the plan holder less that part of the plan holder premium paid to the Company. Whilst the market value of the assets at the valuation date was more than sufficient to meet the amounts required should all plans cancel, this may not be the case should there be significant falls in the market values of assets, as the Trust invests in multi-asset portfolios with a large proportion invested in equities and corporate bond assets.
- 5.15 A key risk to the Trust is higher than expected funeral cost inflation in relation to the discount rate, although we note that Distinct's vertically integrated structure and economies of scale for cremation business reduce the Trust's risk in this regard. For example, an increase of 1% p.a. in the funeral cost inflation assumption would reduce the Trust's surplus by £0.7m and its solvency ratio to around 115%.
- 5.16 Due to the Trust now being fully invested, this introduces further risks related to falls in market values of equities, falls in gilts and corporate bond values (from movements in interest rates and increasing credit spreads), and counterparty default risk.

Sensitivity analysis

- 5.17 In performing this valuation, it should be noted that the result shown and the financial position assessed, is based on the set of valuation assumptions described in this report. These assumptions, together with the methodology used, are critical to the valuation. As such, it would be possible to assess a different financial position under different assumptions, and therefore the Trustees should be aware of this variation in results and that the valuation shown is an estimate based on the central assumptions used.
- 5.18 The sensitivity of the solvency position to key assumptions is shown in the table on the following page.
- 5.19 In addition, the table includes the following two scenarios:
- A sensitivity assessment assuming a fall in equity values of 25%, a fall in corporate bond values of 20% and a fall in gilt values of 10%. Under this scenario, liability values were assessed at a higher discount rate to take account of the increase in interest rates and credit spreads.
 - A combined expense and inflation scenario based on higher funeral cost inflation of 4.5% p.a. and higher expenses of £11.50 per policy p.a. and higher expense inflation of 5% p.a.
- 5.20 Comments:
- Discount rate: A lower expected investment return, and hence discount rate, would lead to a higher liability value and lower solvency ratio.
 - Cancellation rate: An increase in the cancellation rate means that instead of incurring funeral costs, which occur later on average and are for a lower amount, the Trust incurs cancellation refunds and so the impact on the liabilities and hence solvency position is adverse.
 - Funeral inflation rate: Higher future funeral costs resulting from higher inflation reduces the solvency ratio.
 - Market value reduction scenario: the Trust solvency ratio remains above 100% under the adverse scenario assessed.
 - Expense and inflation scenario: the Trust solvency ratio remains above 100% under this scenario.

Assumption Name	Dec-25 (Base)	Discount Rate -1%	Cancellation Rate +1%	Funeral Inflation +1%	Equity stress 25%, Bond stress 20%, Gilt stress 10%	Expense & Inflation scenario
Lapse rate	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%
Funeral inflation	2.0%	2.0%	2.0%	3.0%	2.0%	4.5%
Expense inflation	3.0%	3.0%	3.0%	3.0%	3.0%	5.0%
Discount rate	4.05%	3.05%	4.05%	4.05%	5.25%	4.05%
£ p.p. expenses (p.a.)	9.0	9.0	9.0	9.0	9.0	11.5
Mortality (% of NLT 2014-2016)	140%	140%	140%	140%	140%	140%

Balance Sheet (£m)	Dec-25 (Base)	Discount Rate -1%	Cancellation Rate +1%	Funeral Inflation +1%	Equity stress 25%, Bond stress 20%, Gilt stress 10%	Expense & Inflation scenario
Listed Assets	13.9	13.9	13.9	13.9	11.2	13.9
Cash at bank	0.2	0.2	0.2	0.2	0.2	0.2
Assets	14.1	14.1	14.1	14.1	11.4	14.1
Value of funeral costs	8.6	9.4	7.9	9.4	7.8	10.8
Value of future instalments	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Value of cancellations	0.9	1.0	1.8	0.9	0.9	0.9
Value of Trust expenses	1.0	1.1	1.0	1.0	1.0	1.5
Administration fees due	0.2	0.2	0.2	0.2	0.2	0.2
Current liabilities	0.5	0.5	0.5	0.5	0.5	0.5
Liabilities	11.1	12.0	11.1	11.8	10.1	13.7
Surplus	3.1	2.2	3.0	2.3	1.3	0.4
Solvency ratio	128%	118%	127%	120%	113%	103%

6 Reliances & Limitations

- 6.1 In producing this report, we have relied on information provided to us in both written and oral form, in particular the draft financial statements and policy data provided by Distinct.
- 6.2 We have taken appropriate measures to assess the reasonableness of the data used, and information received, however we cannot be responsible for the accuracy of data, such as policy information and asset details provided to us. In particular we have treated all asset details provided to us by Distinct as being the market value (or fair value). We have relied on asset figures from the draft Financial Statements received 25 February 2026. We rely on the fact that these figures will form part of the audited financial statements and have not sought to independently verify them.
- 6.3 The results of the valuation are dependent on assumptions in relation to future experience. Actual future experience will differ from these assumptions due to variations in planholder behaviour and experience (e.g. cancellations and deaths, and payments of instalments), funeral cost amounts (including inflation), economic factors, investment returns, tax, expenses of operating the Trust and other factors. Such assumptions have a significant impact on the results of our analysis. No warranty is given by Zenith Actuarial Limited that future assumptions made in this paper will be reflected in actual future experience.
- 6.4 This report has been prepared in order to meet the requirements for a Solvency Assessment Report as set out in FPCOB 3.2.3 which took effect from 29 July 2022. As such, this report has been prepared by Zenith Actuarial Limited to meet the specific purposes of the Trustees and must not be relied upon for any other purpose. The paper has been prepared for use by persons technically competent in the areas covered. Except with the written consent of Zenith Actuarial Limited the paper and any written or oral information or advice provided by Zenith Actuarial Limited must not be reproduced, distributed or communicated in whole or in part to any other person, or be relied upon by any other person. Any reference to Zenith Actuarial Limited in any report, accounts, or other published documents is not authorised without our prior written consent.
- 6.5 The report must be considered in its entirety as individual sections, if considered in isolation, may be misleading. Draft versions of the report must not be relied upon by any person for any purpose.
- 6.6 This paper was based on data available at 13 March 2026 and takes no account of developments after that date. Zenith Actuarial Limited is under no obligation to update or correct inaccuracies which may become apparent in the paper.
- 6.7 This paper is subject to the terms and limitations, including limitation of liability, set out in our engagement letter of 13/02/2026.

James Harison

Zenith Actuarial Limited

19 March 2026