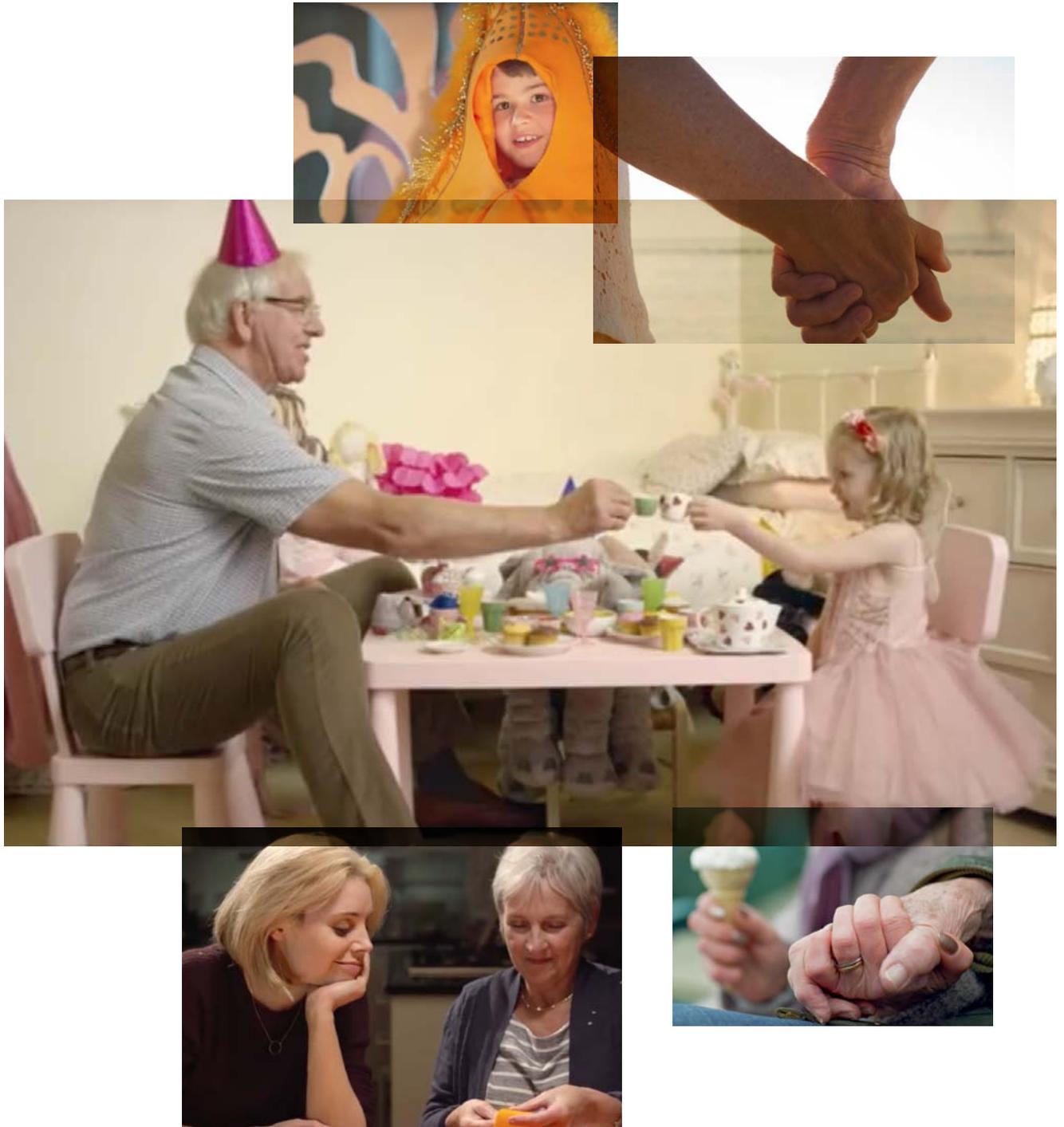


# Annual Review 2015/16



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## CEO's Introduction



Like its predecessor, 2015/16 proved to be an interesting year with further new players - both planning companies and intermediaries - entering our core market.

These debutants have expended considerable money and energy establishing themselves in the market. Funeral Planning Authority (FPA) registered providers and, more importantly, the guaranteed whole of life insurance providers have also increased investment in and promotion to the elderly market. As a result there has been an increase in awareness of the need to make financial provision for funeral services.

My key message remains one of caution. Overall, funeral plan sales continue to rise, but not all companies are members of the FPA, which means that there is a potential gap in the protection of elderly customers.

Our shareholder base continues to expand and, with changes to the shareholder representation on our Board, the engagement between the Company and SAIFCharter becomes both broader and deeper.

We kept up our investment in the delivery of sector-leading service for our plan holders, for our commercial partners and, in particular, for the independent funeral directors whose ongoing sustainability is our founding objective.

You will read elsewhere in this review of 2015/16 that we passed many notable landmarks and achieved several records, but the most important message I can provide is one of continuity. As we enter our 26th year, Golden Charter still strives to meet the objectives of those pioneers whose vision created the Company.

Despite significant change to the membership of the Board, it is important that all of our stakeholders understand that Golden Charter still exists purely to promote customer choice and to maintain a thriving independent funeral profession right across the UK.

Ronnie Wayte  
CEO of Golden Charter

## Chairman's Report

**SAIFCharter Limited was formed in 2006 and holds the shares in the Company on behalf of over 700 independent, mostly family-owned funeral businesses.**

Golden Charter's principal activity is the marketing, sale and administration of funeral plans and legal services products across the UK. Funerals are carried out by our funeral director shareholders and others.

The Company's purpose is 'to help families make tomorrow's choices today', which underpins our ambition to ensure that in the long term, every family in the UK has a Golden Charter product or service. Our business model is based on growing pre-paid funeral plan market share for our shareholders, whilst improving the return that our shareholders receive when pre-paid funeral plans mature. This is achieved by diversifying our revenue streams from other later life products and services.

2016 was the culmination of a five year plan and the Board was pleased to have reached our milestones during 2015/16, most notably exceeding our objective to achieve a 40% share of the market. Our markets have evolved at pace with new entrants and increased competition, both of which have demanded a response from us in order to maintain the 'independent funeral director' brand. I am delighted that 2015/16 was yet another record year for the Company in terms of pre-paid funeral plan market share, cash generation and underlying profitability.

During the year, Gary Neill and Jeremy West left the Board after long periods as shareholder representatives. Their insight ensured the Board never lost its focus on the needs of our shareholders and we thank them for their contribution. The baton passes to Helen Wathall who joins Julian Walker as a funeral director representative on the Board. Helen is an able replacement for Jeremy West and a further appointment will be made to replace Gary Neill during 2016. Julian has now also taken on the role of Chair of SAIFCharter and the Board is working ever closer with the SAIFCharter Association as we plan for the future.



### Governance

The Board reviews the Company's risk profile regularly, examining the strategic risks at each Board meeting while the Executive Directors review risks on a weekly and monthly basis.

The Board delegates oversight of a number of its governance activities to the Audit Committee, chaired by James Tovey, a member of our shareholder group. James is joined on the committee by two of the Company's Non-Executive Directors, Steve Burnett and Julian Walker.

During the year, the Internal Audit function was introduced to the business, and the Audit Committee terms of reference were extended to oversee this work and to also take a role in reviewing the strategic risks of the business, seeking assurance that mitigation plans are being actively managed.

The Board currently identifies risks and uncertainties around the following themes:

- Economics, competition and pricing
- Maintaining strategic alliances
- Political uncertainty
- Sector reputation
- Regulation and changes in legislation

The Company has created an updated business plan through to 2021, which outlines the next phase in Golden Charter's evolution. The scaling up of the business and delivery of additional value to shareholders remain central themes. The Board believes that there remains significant opportunity for growth through the establishment of the Golden Charter brand in promoting the independent funeral director sector. Our TV advertising is an important step on this journey. We also believe that we can broaden our services to our now extensive customer base by offering legal services products.

I opened by saying that our market is changing and I would like to thank my fellow directors, our employees, our shareholders and our stakeholders who supported us throughout the year. Our staff members in particular have demonstrated great commitment through a period of rising competition that continues to require tough decisions by management. 2016/17 promises to continue to present challenges, but I believe we are well placed to prosper.

A handwritten signature in red ink that reads "Magnus P. Swanson".

Magnus P. Swanson  
Chairman of Golden Charter

**"I am delighted that 2015/16 was yet another record year for the Company in terms of pre-paid funeral plan market share, cash generation and underlying profitability."**

## CEO's Report

### This has been another strong year for the Company, set against difficult market conditions and additional competition from new entrants and established competitors.

Golden Charter has become the market leader in pre-paid funeral plans over the past five years, with sales in the 12 months to 31 December 2015 accounting for 40% of plans delivered by Funeral Planning Authority (FPA) registered companies. This has been achieved by increasing sales made through our shareholder funeral directors and by introducing new routes to market.

Funeral plan sales through third parties increased significantly, with intermediaries innovating in the digital arena seen as a key driver of volume. The new entrants and methods used provided challenges, and we need to continue to invest in our own digital capability to ensure that we meet our growth ambitions. With a larger proportion of our sales now made by third parties, we noted the higher risk and embarked on a rigorous quality review. We increased our compliance capability in relation to sales through this channel. As a result of this increased scrutiny, we have become more selective and subsequently ended a number of existing relationships to ensure our continuing ability to deliver on our required quality standards.

The risk that all shareholders need to be more aware of is that the pursuit of quality will create challenges for growth. This is something we will continually review to ensure we strike an appropriate balance.

The contract with AXA Wealth Ltd (SunLife) for the assignation of life assurance plan holders who request a funeral benefit option was terminated during the year following a review of the commercial terms. Whilst this was disappointing, the Board felt that the termination was in the best long-term interests of the Company.

The legal services division has been established as a profitable unit without seed capital, and is now delivering around a fifth of the Company's turnover from a range of later life related products. The main development in the year was the introduction of the option of a Will embedded within the pre-paid funeral plan product, which was

welcomed by customers and has brought the funeral plan and legal service areas of the business closer together.

The Company has also continued to deliver significant value for shareholders through the recycling of profits as maturity top-up payments, in line with our long-stated aim of matching pre-need and at-need funeral margins for shareholding firms of independent funeral directors.

The ability to innovate and adapt to market conditions has been a recurring key strength of this organisation. Competitive advantage has been maintained through the swift execution of tactical moves that have boosted our revenue streams. Prudent financial planning and a review of the economics of the business have also provided a platform upon which to stabilise and grow Golden Charter.

The period also saw the commencement of a programme aiming to build our corporate brand, with a return to TV advertising in January 2016. We will maintain this investment in the coming financial year. It is seen as a key priority by the Board as we compete in an increasingly crowded market place.

The quality and consistency of our products and services are a key focus, and we will continue our investment in technology to the benefit of our customers while also driving efficiency, effectiveness and consumer insight across the Company.

Collecting my thoughts for what is now my eighth annual review, I am forced to conclude that, despite our best intentions to keep things simple for our customers, our shareholders and our colleagues, the world does get more complex.

The number of issues and the multi-faceted nature of their interactions often lead to decisions that require a level of compromise or complexity, as we seek to mitigate as many unintended consequences as possible.

Starting from first principles, we set out to ensure shareholders receive a stream of high quality and appropriately funded funeral plans - this is our guiding objective. Having become the most prominent player in this market over recent years, our business plan review concentrated more thought on how we step up from simply delivering the volumes required to producing a flow of higher value plans. This would adequately reward independent funeral directors; it would not simply sustain the sector but would help it reinvest to maintain its leading position as the provider of the highest quality service to bereaved families across the country.

Changing our financial strategy and starting to build up a modest level of retained profits was essential to providing long-term stability, enabling the Company to plan ahead with confidence. That security is integral to ensuring business longevity and, given the nature of our products, customers have every right to demand such stability in the commercial Company that underpins two fifths of the nation's pre-paid funeral plans.

All significant organisations require effective long-range planning and, in concluding an extended strategic business planning exercise, we now have a detailed route map for what we have to achieve. Importantly, we also have the support and endorsement of our owners through their shareholder representatives.

Our shareholders are a diverse group. They represent all sizes of operation and are located across the country from the Scottish highlands and islands to Cornwall, with representation in every metropolitan area in between. As our purpose is to protect and grow their business, maintaining a close understanding of their ambitions and preferences is essential to the continuing successful operation of Golden Charter.



Having created value for our shareholders and made annual additional maturity payments over recent years, our current model, which incorporates the additional maturity payments at the time of the funeral invoice, has proved popular and will be retained. Our ambition remains to steadily improve the sums released. This will lead to the fulfilment of our ambition that, for shareholders, carrying out a funeral funded by a Golden Charter pre-paid funeral plan will be as profitable as the average service that they conduct for a family where no advance provision had been made. Our additional maturity payments for plans that matured in the 12 months to March 2016 amounted to £1.4m. We expect that sum to be in the region of £2.5m by the 2017/18 financial year.

2015 saw many incursions into our market by intermediaries. With few barriers to entry, and planning companies willing to offer generous incentives, a variety of organisations were tempted. It quickly became very clear to us that they were a mixed bag: the good, the bad and even the ugly.

We competed with the rising commissions while we sorted out those who operated sustainable models from those who didn't. We identified and rejected those who formed a reputational risk to the sector and we gradually reduced our level of involvement in the intermediary market. We took the decision to reduce our exposure, and that of independent funeral directors, to any potential risks, whether they be financial, quality or reputational. This project continues in the current year and, as a result, we announced a substantial reduction in projected plan sales from our initial forecast to reflect the reality that competitors have leapt into this market, increasing costs and encouraging new entrants whose quality thresholds sit below the standards we would accept.

We, however, continue to grow our business, but with an increased focus on sources where we have greater confidence in the ability to control quality.

## CEO's Report (cont.)

We continue to see great latent potential in the funeral planning capability of the funeral director market. The trick will be to enable those businesses with the capacity to carry out the activity through introducing processes that will deliver that opportunity. At present, we see stellar results from the national winners at our annual Funeral Planner of the Year Awards. When I analyse their performance, I find it almost invariably comes down to a few key building block activities and a positive attitude. In Scotland and the north of England, the independent funeral directors who promote Golden Charter attract more than two funeral plans for every five funerals they carry out. Elsewhere in the country that ratio is around one funeral plan for every six funerals carried out. However, it is not certain that there is sufficient room for growth in this channel alone to meet our growth aspirations in the years ahead.

We also have a responsibility to reach out to those sections of the community that our shareholders find harder to reach. Often that is a younger demographic and a group who are less comfortable with face-to-face consultation about such a sensitive and personal topic. We have only marketed our plans to the public under the Golden Charter marque for five years, so investment in our brand is still in its infancy.

Our national prime-time TV campaign is the highest profile element of our brand awareness building, and this campaign also provided a demonstrable upside for our funeral directors. Television is the primary form of promotion that our plan holders recall, with the fact that Golden Charter is owned by independent funeral directors rated as a big plus point. The campaign also supports our direct to consumer business and a growing proportion of customers now acknowledge that the Company's reputation was a key factor in their decision to buy from us.

We are also improving the experience for customers once they have selected to purchase their plan from Golden Charter. We are investing in end-to-end processing

technology and, as we do so, we continue to identify opportunities to introduce technology to our shareholders' businesses, which will provide improved accuracy and deliver cost savings.

As the business grows, leadership challenges also increase and so you will see us continue to invest in people. Attracting the best leaders is never inexpensive, but I continue to see spend in that area as an investment that provides dividends.

We also journeyed further on our path to becoming a major provider of legal services. It was yet another year of solid development. We differentiated our products and achieved a step change through the incorporation of a Will within the plans that we sell directly. This provided an enhanced product which has been welcomed by our plan holders, while also having a positive impact on our revenue stream.

Our shareholders are intrinsically dependent on the parallel market in whole of life assurance policies. In the past these policies have sometimes offered poor value, but this is slowly changing. We have started to see more compelling propositions emerge, offering improved value for money and a 100% return on premiums invested. They are increasingly more transparent and we can see them becoming more relevant and acceptable to our customers in the years ahead.

The funeral poverty debate has reverberated around the media almost constantly over the past year and, with public consultations and parliamentary questions being tabled on an almost weekly basis, it is certain that some form of increased regulation, or even legislation, will follow. In recognising the increasing political and media interest, Golden Charter, as the market leader, is helping to address concerns by developing solutions that will provide dignified funerals for the most disadvantaged, while also being sustainable for the funeral director. While part of the coverage of the funeral poverty debate has tended

**“the Company exited the year in a stronger position, both financially and in terms of direction.”**

more towards the sensational than the substantiated, we do accept that there is a clear need to review the current situation where there is no encouragement for those struggling to save in preparation for future funeral costs.

As the dominant market player in a sector that deals with the elderly, there is clearly a role for Golden Charter to play in setting an example to the rest of the planning industry by seeking to support the poorest in our society. We will have to rely on society itself to prioritise the needs and on governments to define the regulation that will enable the solution to be found. However, we will continue to invest our time and energy in challenging the status quo and contributing positively to the debate.

2015/16 was, in many ways, turbulent, but the Company exited the year in a stronger position, both financially and in terms of direction. As you will read elsewhere in this review, the Golden Charter Trust is also in the strongest position it has enjoyed for many years.

This confidence in future funding levels for funeral directors, married to the Company's consistent growth over recent years, has allowed us to begin to build up sufficient retained capital to provide comfort against any future bump on the road. This will continue over the next few years, with the added aim of creating sufficient reserves that can be used to acquire other businesses the Board believe would aid our future growth and profitability.

All in all, we continue to build a robust business that can continue to support the UK's independent funeral profession successfully.

Ronnie Wayte  
CEO



# Financial Review

In the year to 31 March 2016, we continued to grow our key financial indicators in line with our strategic ambitions.

Turnover grew by 22% in the year, driven by growth in underlying funeral plan sales and revenue from providing the option of a Will to funeral plan holders.

Operating profit more than doubled in the year, as the growth in revenue was combined with containment of the cost base.

Cash at bank and hand at 31 March 2016 was £2.8m, which was an improvement of £1.6m in the year.

Net assets grew to £4.6m in the year after accounting for payment of a dividend of £0.7m to SAIFCharter Limited. This was a non-cash transaction as the dividend was immediately utilised by SAIFCharter to part repay a loan to Golden Charter made in 2006.

The outlook for the next financial year is positive and it is expected that both operating profit and cash flow will continue to grow in line with the delivery of our strategic targets.

The long-term economic model is based on delivering retained operating profits of around 2% of the retail value of our sales, which allows us to build our balance sheet resilience and to invest in our future strategy.

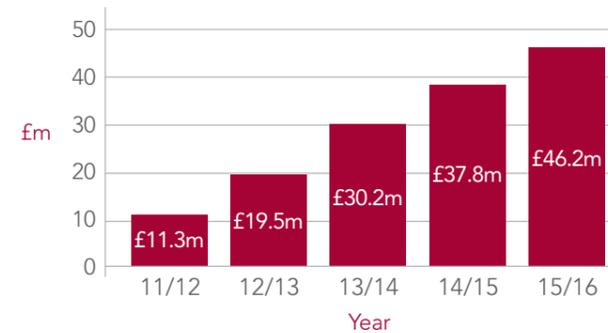
A concise summary of the Company's financial performance over the last five years is presented in the following charts.



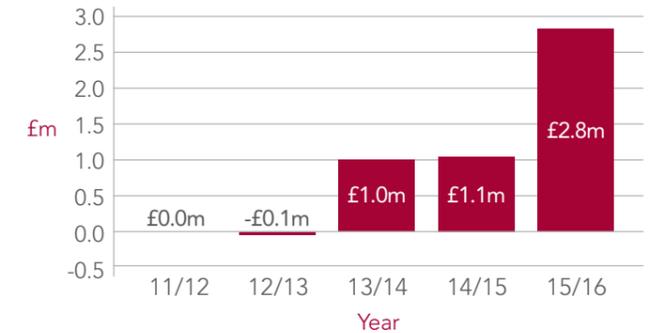
Robert Speir  
Chief Financial Officer



Turnover



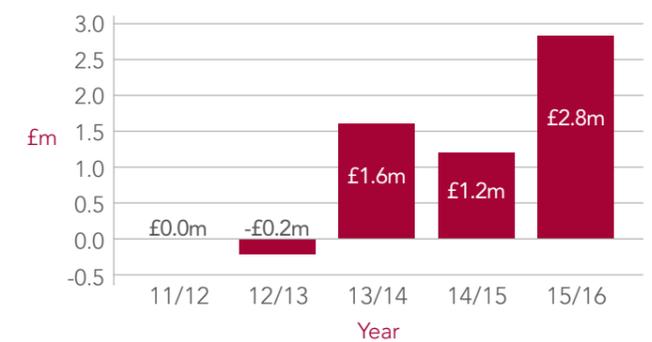
Operating profit/loss



Net assets



Cash at bank and hand



“Operating profit more than doubled in the year”

# Sales and Marketing Review

## The business operates three distinct channels to market, the most significant being through independent funeral directors.

This primary route continues to be augmented by Golden Charter's sales and marketing directly to the public, through intermediaries and in partnership with other organisations.

### Intermediaries

This last area was the most dynamic in 2015/16 and we steadily grew our relationships with third party sellers of our plans, with a particular emphasis on contact centres. The Intermediaries Channel provided a record number of allocations to independent funeral directors, creating new relationships with plan holders and future generations of their families. With a sales increase of almost 60% on the previous financial year, this impressive result was achieved during a period in which there was a rapidly increasing number of active competitors focusing their efforts on the intermediary market. Sales through contact centres, financial advisors and Will writers all contributed to this growth.



### Funeral directors

In the Funeral Director Channel, which is dominated by our shareholders, we maintained and extended our position as the established market leader.

We entered last year having experienced a fantastic period of growth from funeral directors in 2014/15, and so replicating that accelerated performance was always going to be a challenge. We allowed for this in planning a targeted and more modest growth level for the year. We were delighted that our shareholders and partnering funeral directors exceeded expectations, achieving a substantial increase in plans introduced over the previous year.

In fact, the results showed good steady growth in line with our aspirations to double volumes from funeral directors over five years. This was an impressive performance by all.

Other landmarks included the introduction of the new legal services proposition, offering an embedded Will in our funeral plans. This was received well by funeral directors, with many taking up the new product enthusiastically and welcoming the enhanced income that it generates. We introduced revised integrated application forms and rewrote our terms and conditions to enhance clarity and transparency. Additional resources were made available to allow continuing investment in education and training in commercial process, the benefits of legal services and efficient referral processes.

We continued to support proactive Independents by contributing to marketing campaigns, championing them in their own local areas, and took part in our biggest ever volume of funeral director-backed leaflet drops. It's no coincidence that many of the most active adopters went on to appear on the winners' rostrum at the Funeral Planner of the Year Awards in Cardiff in March.

Further work on our agenda to introduce a more consistent approach to controls and standards delivered quality of service benefits for funeral directors and plan holders alike, and we continued to work closely with SAIF to identify and attract potential new members who will become Golden Charter sellers.

### Direct to consumer

Golden Charter also offers funeral plans and legal services directly to the public. Last year saw a number of changes to our operating methods and structures in the direct to consumer arena. We know that, particularly for legal services, some potential customers prefer to have the opportunity to have a face to face discussion when planning future events, and so we ensured that we had capacity to offer this option across the country.

Direct to consumer sales activity was also supported by increased marketing activity, which supplemented the work done to promote individual funeral directors in their own locales. 2015/16 saw an increase in competitor marketing



activity – both from funeral plan companies and in the over 50s insurance market – which, more often than not, highlighted rising funeral costs as the main reason to buy. We saw increased activity, most notably on television and online, but all forms of competitor promotion showed rising activity. As a result, we created a single, integrated team for all channels under a new Director of Marketing to more fully integrate our activity and ensure a cohesive voice in the market. Digital expertise was enhanced, allowing further focus on the digital channels as our customers increasingly switch to researching and purchasing online.

Golden Charter launched a national daytime television advertising campaign in January, with many funeral directors taking up the opportunity to produce and broadcast their own bespoke versions in their own regions and on their websites. Research carried out during the first few months of 2016 recorded burgeoning awareness of our key point of difference: that of Golden Charter being 'owned by independent funeral directors'. This increased threefold, with similar advances in the measures for the perception of Golden Charter as 'an organisation you can trust' and the proportion of people agreeing that 'a funeral plan is a sensible idea'.

Throughout the year we modified our approach, with further refinements to our structure to increase efficiency and provide expertise in the more complex legal services offering right across the UK.

The Co-op remains the most prominent player in the at-need market, but their focus on the low-cost proposition was not backed up by significant marketing effort and, given we saw our market share rise, we assume there was no significant uplift in their plan sales.

Michael Corish  
Managing Director Consumer Sales

## Our back office functions include a wide range of specialist functions and operational teams.

We report these in operational groupings and continue to invest as our business volumes grow with the attendant need to continue to improve the efficiency of our processes and the robustness of our systems.

A major focus for the year was our compliance, risk and internal audit activity, where resourcing was increased during the year. With many new intermediaries entering our core market in 2015, increased focus was given to ensuring that the quality of sales practices and customer experience was maintained. Key metrics such as levels of cancellations and customer complaints were closely monitored and we adopted a proactive approach in dealing with issues by reviewing data and undertaking trend analysis, rather than waiting for problems to emerge. Accordingly, a rigorous on boarding process was developed, and a number of decisions were made to terminate relationships due to potential quality concerns.

Following a full review of our Board governance structure and policy in the previous period, we also recognised the need for a full suite of policies to ensure that we continue to conduct our business in appropriate ways. New policies on anti-bribery and corruption, whistleblowing and vulnerable customers were prepared and rolled out during the year.

Much of the investigation work carried out in advance of the specification of these safeguards was done by our Internal Audit Team. This team focused on a number of detailed reviews of processes and procedures, including two of our three sales channels (intermediaries and funeral directors), and key financial controls and operational processes. The outputs from these audits were taken forward by management, with oversight from the Company's Audit Committee. The output of internal audit activities gives both assurance to the Board about our current control frameworks and clear action plans for management in the prioritisation of change activities – using a risk-based approach.

Of course, even with optimised processes, some complaints will inevitably arise when dealing with large volumes of customers. During the year we improved our complaint handling time, with the average resolution time reduced to 10 days. The most common cause of complaints resulted from the sales practices adopted by some intermediaries; such complaints included a small number which were escalated to the Funeral Planning Authority.

Our operating platforms and processes continued to evolve as we delivered a programme of review and improvement. As with all automation and scaling up, a level of appropriate investment is required and this is ongoing.

Fulfilment processes were amongst those upgraded in 2015/16. Print and mail costs were reduced despite an increase in the volume and complexity of packs including Wills.

Processing productivity continued to improve, with faster turnaround times reducing the overall number of customer contacts required. Other factors impacting our ability to reorganise were found in our Allocations area. The overall activity receded as legal charge volumes dropped, which enabled colleagues to be redeployed, enhanced our service levels and concentrated our efforts on customer support, with the Retentions Team saving around 20% of the plans referred to them because of missed payments.

High volumes of incoming applications, some from new and diverse sources, drove a need to increase inbound quality checking, completion and resolution. The year saw an increase in the proportion of cases being referred and an increase in the number being resolved at source, reducing delays to customers and to sellers.

All of these actions contributed to a strong customer service culture, which is reflected in our customer satisfaction surveys discussed elsewhere in this report. Part of this success comes from structuring the teams to allow advisers to concentrate on telephone calls and introducing a 24 hour first point of contact complaint handling process, which reduced the volume of complaints going to our Customer Resolutions Team.

2015/16 heralded the implementation of our integrated funeral plan and Will product, transforming our Will writing landscape and providing the opportunity for many thousands of plan holders to obtain a Golden Charter Will. As with all innovations, we implemented iterative process changes and our ongoing IT investment in Will writing software has facilitated a much improved product fulfilment journey.



Our new team structures work well, providing a clearer route for customers and colleagues to contact us with queries while also providing a better platform for future staff development.

Technology remains at the core of our planning for the future and is key to the delivery of consistently good service to our customers and business partners. Building robust, reliable systems and testing these regularly is an ongoing process.

Our continuity planning and disaster recovery plans were tested on a regular basis, while our enterprise architecture review exercise has recently concluded with the production of a road map that is aligned with the business plan.

A new document retention and retrieval platform has been introduced and new products have been launched, with all of these changes built on increased cyber security investment and provision to address the increased incidence and variation of cyber threats companies now face. The robustness of our systems was stress tested repeatedly, and once again the annual external audit from Grant Thornton did not raise any significant issues.

Robert Speir  
Chief Financial Officer

## Shareholders' Review

I am proud to be reporting for the first time as Chairman of SAIFCharter and wish to personally thank the outgoing Chairman, Gary Neill, for his long-standing service, his drive and his support to achieve the success we have today.



SAIFCharter is the body that owns Golden Charter. It is made up of independent funeral directors situated throughout the UK, and these members are represented by 11 working funeral directors who are elected to the SAIFCharter Executive. From this group, we have three

representatives on the Board of Golden Charter and another serving as a Trustee of the Golden Charter Trust. Thus, the values, culture and long-term business approach of the funeral director community are directly injected into the strategic and operational planning of both the Company and the Trust; a unique arrangement that we believe helps to make Golden Charter the best in the market.

Our plan holders, funeral director members of SAIFCharter and Golden Charter are truly interdependent. SAIFCharter members only sell Golden Charter products, their membership of trade body SAIF ensures quality and transparency for plan holders, and funeral businesses share in the benefits of owning Golden Charter through secure fund management and appropriate business support, alongside the best maturity values in the market.

The SAIFCharter group of funeral businesses now delivers 40% of the UK's funerals. The membership continued to grow during the year to 717 member businesses. This growth was driven by the compelling financial benefits of membership and a policy of concentrating long-term benefits on those businesses committed to engaging fully with the Company.

SAIFCharter continues to influence and shape Golden Charter's long-term strategy of growing market share, maintaining growth in maturity pay-outs, promoting efficiency within the Company and requiring secure, low-risk investment policies within the Trust.

### Competition

The market place for both at-need and pre-need funerals has changed significantly within the year and the Company's status as the market leader has attracted increased competition from existing and new entrants to the market. Whilst many of our long-term objectives remain, the route by which we achieve them is rapidly changing. The importance of the traditional word-of-mouth approach used by funeral directors has diminished, while the bereaved and the over 60s are increasingly influenced by the availability of information on the internet. For those offering pre-planning in a more passive manner, the rapid growth of the online intermediary market, which was not expected to account for such a significant proportion of the market, has come as a shock. Our strategic planning in the future will, therefore, concentrate on the way in which funeral directors, together with Golden Charter, transfer to digital methods of informing and advising families of our end of life opportunities.

### Maturity values

In 2012, the challenge was set to create parity between at-need funeral charges and pre-paid funeral maturity payments. Historically, the rate of growth of funds in the Trust has been lower than the increase in funeral director charges. Golden Charter undertook to develop revenue-generating activity in order to supplement the payment funeral directors receive when providing the funeral service. During this last year, a further significant step was taken and the SAIFCharter representatives on the Company Board remain committed to closing this gap further.

"SAIFCharter continues to influence and shape Golden Charter's long-term strategy of growing market share and maintaining growth in maturity pay-outs."

However, some additional payments were not always made at the time of maturity and the mechanism for this 'topping up' was not sustainable, given the ambition we have for the business to grow. Therefore, an alternative model was introduced at the end of the year, with support from the Trust, which now successfully delivers timely full payment to funeral directors and retention of available cash within Golden Charter. Towards the end of the year, the decision was also made to increase the plan administration fee from £199 to £249 in order to further support sustainable growth. This was the first increase for eight years and was done with the prior approval of the shareholder representatives.

### Partnership and Engagement

At the end of the year, we held our AGM concurrently with SAIF in Wales. It gave an opportunity for those attending to consider and challenge the principles of our strategy for the future, and there were some healthy and robust exchanges of views that have served to accelerate the nature and visibility of the service and support offered to our funeral network by the Golden Charter team.

Most SAIFCharter funeral businesses are family owned and many have existed for generations. As such, some Independents have a guarded approach to being told how to offer their highly personalised services to their communities. At times, Golden Charter could be accused of not fully understanding the long-term ambition and principles shared by many within its shareholder group, particularly in relation to their appetite for proactive sales methods. Whilst member firms have for some time enjoyed support from Golden Charter to assist in the promotion of later life planning products to their communities, funeral directors are typically, and rightly, sensitive about the methods and products that they offer their families.

On reflection, the year signalled a turning point in this relationship, with the needs and challenges of developing an even closer and more wide-ranging partnership between Golden Charter and its funeral director shareholders clearly outlined. Key to establishing this closer partnership is SAIFCharter, and during the year working parties of funeral directors have enabled Golden Charter to debate, develop and test new or changed policies, products or processes ahead of implementation.

### The future

SAIFCharter, while retaining responsibility for representation, membership compliance and recruitment, will further concentrate on developing the newly invigorated relationship between its membership network and Golden Charter with an emphasis on trust, communication, transparency and mutual support. At the centre, and aligned with the fundamental values of all parties, will remain our customer, whether that be a bereaved family, existing plan holder or simply someone in need of appropriate guidance.



Julian Walker  
SAIFCharter Chairman

## Our People and 25th Anniversary

Our people continue to be instrumental in helping the Company adapt and respond to increasing competitive pressures by providing excellent service to our customers, improving processes and developing new products and services.

This year we extended our commitment to providing training and development for staff. A comprehensive training programme was rolled out for all managers and a suite of e-learning materials developed to increase understanding of our products.

Internal communication was improved with the development of a new intranet platform, with contributors from across the business. This will help to ensure staff members are always kept up to date with the latest Company and industry news.

In the latter part of the year, we undertook a major exercise to measure employee satisfaction and engagement, which identified areas for improvement for the Company. In response to feedback, work is underway to review pay and rewards, work processes and technology, and company-wide communication.

Over the year our staff lived up to their charitable reputation, raising over £10,000 for a range of worthy causes by participating in a variety of activities such as monthly dress-down days, bake sales and quiz nights. They also surprised members of the local community by carrying out 'random acts of kindness', such as delivering cakes and biscuits to a neighbouring old folks' home and paying for a member of the public's petrol.

## A quarter century of plans

To mark 25 years since Golden Charter's first funeral plan sale, we assembled all of our staff at an all-day conference and 25th anniversary celebration dinner in Glasgow in November.

Held in the same week that our 500,000th plan was taken out, Managing Director Michael Corish opened "the largest ever gathering of Golden Charter staff" where we discussed operational performance and future goals.

In another successful year for the Company, in which we maintained our place on The Sunday Times Virgin Fast Track 100 league table, it was again a year for staff to be recognised externally. Two of Golden Charter's Directors were recognised at the Institute of Directors' Director of the Year UK Finals in London. Our Chairman, Magnus Swanson, was named Non-Executive Director of the Year, while our CEO, Ronnie Wayte, received the accolade of being Highly Commended in the Mid-Market Director of the Year category.



Ronnie Wayte at the Institute of Directors' Director of the Year UK Final

Ronnie Wayte and other Directors opened themselves up for questions from their colleagues, with the need for continuous change in order to meet the Company's ambitions emerging as a key theme.

The day was rounded off with an awards ceremony, with several employees – including Christine Torrance, who has been with Golden Charter since the beginning – receiving a long service award.

## Funeral Planner of the Year

The 23rd annual Funeral Planner of the Year Awards ceremony was held in the Vale Resort, Cardiff.

Hosted by the BBC's Sian Lloyd, on the eve of the SAIF and SAIFCharter AGMs, the event is the biggest annual gathering of independent funeral directors in the UK.

Nearly 60 awards were given out on the night, to Independents from around the country who demonstrated significant advances in their pre-paid funeral business.



Winners from each region competed for the three national awards, which went to:

Robson's Funeral Directors, Hawick  
J&T McColgan, Clydebank  
A J Sellman Family Funeral Directors, Cannock

The night's largest national winner, A J Sellman, achieved a 69% pre-need to at-need ratio in 2015 – far ahead of the 50% level many have aimed for in recent years.

In addition to the regional and national awards, three 'Best Newcomer' prizes were presented to the most successful new businesses. Paul Bourton Funeral Service, Wombourne Funeral Services and R Banks & Son took away those awards.

This year's theme might have been the most appropriate yet, as number one independent funeral directors from across the UK were greeted by number one musical performances from the past 50 years.

The next Funeral Planner of Year Awards and SAIFCharter AGM will take place in London in September 2017.

**Golden Charter** 

Funeral Planner of the Year 2016

In October 2015, Golden Charter undertook a major project to begin surveying all eligible plan holders and funeral directors, aiming to measure satisfaction and trends over a number of years.

### Surveying the landscape

The rolling surveys have been designed in partnership with independent market research specialists CJM Research in line with Market Research Society best practice, and the results are reported to the Board every quarter. That makes this Golden Charter's biggest ever market research project by far, marking a major push to put Independents' and plan holders' satisfaction at the forefront of everything the Company does.

Every month a sample of funeral directors and several hundred plan holders are contacted and asked to complete a 10 minute survey in order to establish satisfaction levels with staff, communications, product and service quality, and the Company's websites. Survey results are presented in quarterly reports, allowing for comparison by quarter and by year.

**“More than nine tenths of plan holders said they were satisfied and two thirds were very satisfied”**

### Results so far

After six months of surveying, the most striking results are the customer satisfaction scores (91% of customers consider themselves satisfied), while the overall score for funeral directors rating Golden Charter's service has increased across three straight quarters.

Just as important as overall satisfaction is the feedback that allows the Company to make informed decisions. For example, a large number of respondents have singled out the level of contact from Golden Charter as an area for our improvement, and this is now directly informing work being carried out by the Marketing Team, enhancing the customer journey.

### Funeral director response

With funeral director response rates growing with familiarity and the plan holder response rates exceeding 20%, we are receiving a clear picture of our performance.

This strong level of response is vital for establishing a sound baseline to help measure trends, and for ensuring we hear a range of views come from across the spectrum of independent funeral directors.

### About the Trust

The Golden Charter Trust was established in 1990 to hold, invest and administer the funds received from plan holders in respect of funeral plans sold by Golden Charter Limited.

### Background

On 31 March 2015, the Trust transferred its investments into a wholly owned subsidiary, The Golden Charter Trust Limited, in order to conduct its business more efficiently and to provide greater investment flexibility.

The Trust exists for the protection of funeral directors who have agreed to perform the funerals of Golden Charter plan holders, and for the protection of plan holders themselves. The Trust is independent of Golden Charter Limited.

### Principal objective of the Trust

The principal objective of the Trust is to ensure the funds received are invested with a view to ensuring that, at all times, there are sufficient funds to meet the anticipated invoice costs of all outstanding and maturing funeral plans.

### How the Trust is administered and managed

The Trust is administered by Trustees who are experienced business people from a wide range of backgrounds. Trust rules require the majority to be independent of Golden Charter Limited. The Trust employs a full time Trust Manager who deals with the day-to-day administration of the Trust.

In performing their strategic investment function, the Trustees take advice from Barnett Waddingham LLP, their investment consultants and actuaries, and from the appointed investment managers who carry out the day-to-day portfolio management.

However, oversight of the Trust's investment affairs is delegated to the Investment Strategy Group, a specialist sub-group of Trustees, whose members all have significant investment experience. The Investment Strategy Group reports regularly and makes recommendations to the full Board of Trustees, who are responsible for all substantive policy decisions.

The Trust and its subsidiary prepare accounts in accordance with UK Accounting Standards, which are audited by Grant Thornton.

### How plan money is protected and invested

All money received for funeral plans is paid directly into the Trust. The money, after costs have been deducted, is then invested in accordance with the Trust's investment strategy, which is designed to achieve the principal objective of the Trust. Each year our actuary provides an actuarial valuation of the assets and liabilities which, together with the Trust's audited accounts, is sent annually to the FPA.

Golden Charter Limited incurs significant costs selling plans to plan holders, maintaining plans throughout the period to maturity and making payment to funeral directors at the time of need. In recognition of these costs, the Trust makes payments following a plan sale to Golden Charter Limited for the sale, marketing, administration and promotion of funeral plans. The amounts of these payments are reviewed and agreed between the Trustees and the Directors of Golden Charter Limited from time to time.

# The Golden Charter Trust

## Chairman's Statement

In my first year as Chairman of the Trust, I am pleased to present our Annual Review of the Trust for the year to 31 March 2016.

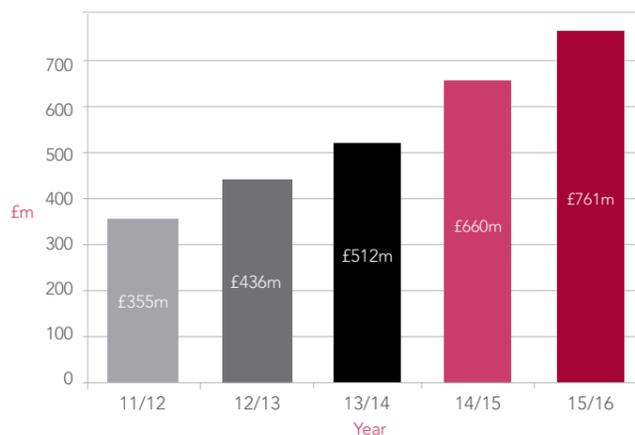
As a Trustee Board, we are committed to providing you with clear information about the Trust and the funds we hold on behalf of funeral directors and plan holders.

### Trust performance in the year to 31 March 2016

I am pleased to report another year of continued growth in the asset values of the Trust through both increased plan sales and investment performance, with the audited Trust net assets at the year-end totalling £761m (2015 audited £660m), which demonstrates the ongoing success of Golden Charter. The average value of an outstanding funeral plan at the year-end was £2,869, rising from £2,747 in 2015.

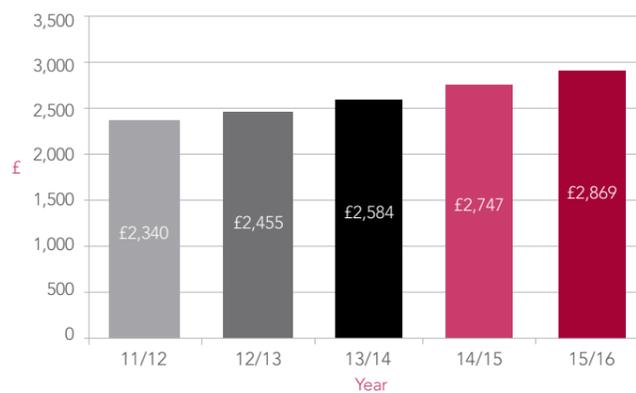
The charts below show how the value of the Trust and the average value of a plan have grown significantly over the last five years. Looking ahead, we anticipate that the Trust's funds will continue to grow, in line with Golden Charter Limited's forecasts for plan sales.

Golden Charter Trust year-end value



You will see the detailed spread of the underlying investments and assets in our Investment Report.

Average Plan Value



### Review of investment strategy

During the year, the Trustee Board reviewed the investment strategy and took the decision to change our asset allocation policy to meet our principal investment objective (as set out in the Investment Report on pages 23 and 24). Our strategic target now is to hold a broader mix of investments, which includes gilts, equities and infrastructure funds.

### Regulatory compliance

During the year, Golden Charter Limited submitted its 2015 annual return to the FPA, which included the submission of the Trust's audited accounts and actuarial report.

The accounts to 31 March 2016 for The Golden Charter Trust and its subsidiary, The Golden Charter Trust Limited, have been prepared and audited.

"We will continue to safeguard the assets of The Golden Charter Trust for the benefit of funeral directors and plan holders."

### Additional maturity payments

The Trustees, after consultation with the Directors of Golden Charter Limited, were pleased to authorise additional maturity payments from the Trust to qualifying funeral directors on each plan maturing between 1 April 2016 and 31 March 2017. The ability to continue to pay additional maturity payments from the Trust will be reviewed annually by the Trustees.

### Actuarial valuation as at 31 March 2016

The Actuary's Report on page 25 confirms that the Trust assets continue to cover more than 100% of future expected funeral director payments, when taking into account anticipated future consumer price inflation.

### Summary

I believe the Trust continues to be governed in an effective manner in accordance with the Trust Deed, the duties and responsibilities obligated on the Trustees under trust law, and the FPA Rules and Code of Practice.

You can be reassured that the Trust is in good shape and that, with a combination of adherence to regulation, maintaining the Trust's reputation and retaining a high calibre and integrity of Trustees, we will continue to safeguard the assets of The Golden Charter Trust for the benefit of funeral directors and plan holders.

Finally, I would like to thank my fellow Trustees for their commitment and support over the year.

Ian Blackford  
Chairman of The Golden Charter Trust



# The Golden Charter Trust

## Investment Report

**“There has been a significant improvement in our funding position over the past several years. Our priority now is to defend and build on this success.”**

The Trustees' principal investment objective is to invest the Trust assets in such a way as to maximise the likelihood that the assets will be sufficient to meet the costs of all pre-paid funeral plans as they mature. The investment strategy is therefore geared towards achieving the required rate of investment return not only to enable the Trust fund to meet its objective in the long term, but to do so in a manner that deals with maturing funeral plans in the short and medium terms.

To meet the principal objective of the Trust, as noted in the Chairman's Statement, the Trustees regularly review the Trust's investment strategy throughout the year.

Following the most recent review, and taking advantage of the ability to transfer surplus funds to the newly incorporated company, the Trustees implemented a change in its asset allocation strategy. The Trust fund's long-term strategic target now is to hold 55% of assets in index-linked gilts, with the balance of 45% divided between global equities, diversified growth funds, long-lease property, infrastructure assets and cash. This approach has been adopted by the Trustees under guidance from the actuaries and investment advisers, in the belief that it is the most suitable way for the Trust to meet its principal investment objective.

The Trustees, in conjunction with their investment advisers, monitor the actual asset allocation of the Trust funds, and, if necessary, instruct the investment advisers to rebalance towards the strategic benchmark either by redirecting incoming or outgoing cash flows, or by an internal reallocation of funds between different investment mandates. Monthly valuations are obtained from the fund managers to enable the actual asset allocation to be determined.

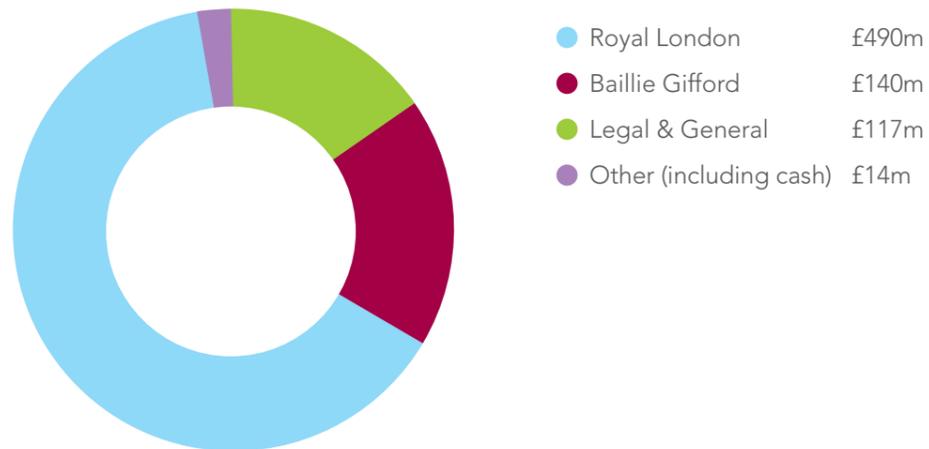
Therefore, in addition to a diverse asset allocation strategy, the Trustees also spread the investment amongst different fund managers. The Trust funds allocation by fund manager and asset classes at 31 March 2016 is shown in the chart below.

As stated in the Chairman's Report, and in the Actuary's Report, the Trust assets are valued at over 100% of the funds required to meet the cost of future funerals covered by the plans in the Trust. This has not always been the case and the significant improvement in the Trust's funding position over the past several years is a tribute to our advisers, to our investment managers, and to those Trustees who devised and implemented the plans which led to success. Our priority is now to defend and build on this success, in a difficult and uncertain investment world.

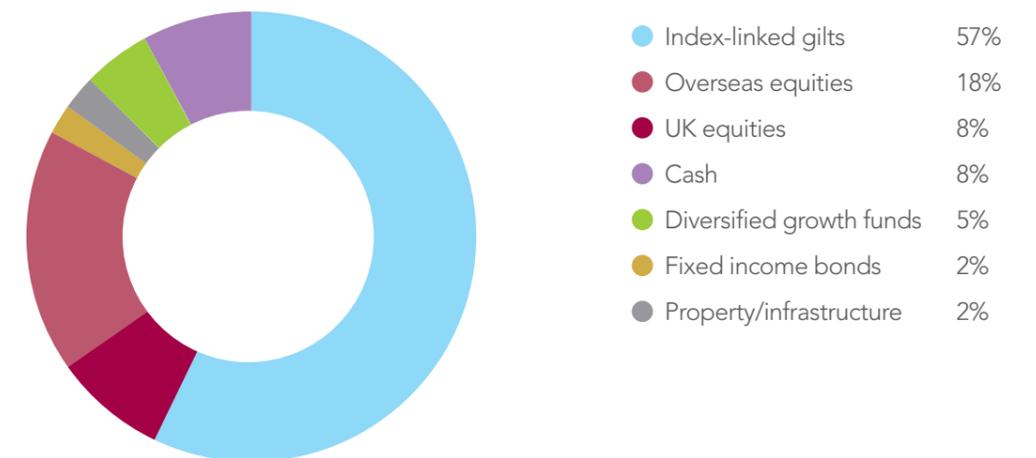
**Gareth Howlett**  
Trustee and Chairman of the Investment Strategy Group



Golden Charter Trust allocation of investments by fund manager



Golden Charter Trust allocation of investments by asset class



I was appointed actuary to the Golden Charter Trust in 1991 and have reported at least annually since that date to the Board of Trustees regarding the ability of the Trust funds to meet new liabilities for maturing funeral plans.

On an annual basis, a full and detailed actuarial review is undertaken. Additional updates are also provided by me during the year to the Trustees as requested. The most recent valuation was at 31 March 2016, which showed that the Trust assets were valued at over 100% of the funds required to meet the cost of future funeral costs covered by the plans in the Trust, allowing for increases in funeral costs in line with future levels of inflation, as measured by the Consumer Price Index.

Graeme Muir  
Barnett Waddingham LLP, Consultant Actuaries



The Funeral Planning Authority (FPA) is the body set up by the funeral planning industry to provide a regulatory framework to govern funeral plans.

Taking money for funeral plans is a regulated activity, although there are exemptions available from Financial Conduct Authority (FCA) regulation, subject to the provider complying with some key customer protection rules. These rules are primarily designed to separate the money invested to provide the funeral from the plan provider, and require investment of assets in a life insurance plan or a trust with independent trustees.

Registration with the FPA is voluntary. It imposes additional requirements beyond the exemptions noted above and requires providers to comply with a set of Rules and a Code of Practice. Providers registered with the FPA are estimated to account for approximately 95% of the funeral planning market.

Registered providers are subject to an annual registration process carried out by an independent Compliance Committee. As a minimum this process considers:

- 1 The trust deed or insurance arrangements to ensure these meet the requirements of the FPA Rules.
- 2 Accounts from the provider company and the trust reflecting appropriate accounting for the trust and the liabilities that may be incurred by the provider. This includes considering actuarial valuations of the trust by a qualified actuary.
- 3 A statement of investment principles and an understanding of how these are implemented in practice for trust-based plans and details of the insurance policy and the insurance company for insurance-based plans.
- 4 An understanding of the detailed economics of the business.

- 5 The relationships with funeral directors and the degree to which commercial agreements are in place for them to carry out funerals. If such agreements are not in place across the book of plans the Committee will wish to understand how this is allowed for in any assessment of liabilities.

The FPA believes that a similar degree of scrutiny is needed for non-registered plan providers. They suggest that, as far as possible, prospective customers, or their advisers, seek to confirm that these companies comply with the exemptions required to operate outside of the FCA regulatory framework, and then do their own due diligence on the issues looked at by the FPA Compliance Committee.

FPA-registered providers have to subject themselves to the FPA's complaints procedure, which uses conciliation and arbitration provided by IDRS Ltd (a subsidiary of the Centre for Effective Dispute Resolution). In addition they have to be part of the FPA Pledge to Customers. This means that, in the unlikely event of a registered provider becoming insolvent, the other registered providers shall cooperate and examine ways in which the FPA might assist in arranging delivery of the funerals of customers of the insolvent registered provider.

Further information about the FPA, its Rules and Code of Practice can be found online at [www.funeralplanningauthority.co.uk](http://www.funeralplanningauthority.co.uk).



# Annual Review **2015/16**

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Registered  
Provider



Founding  
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FUNERAL PLANNING  
COUNCIL