

BUILDING A SUSTAINABLE FUTURE

ANNUAL REVIEW
2016/17



IN THIS YEAR'S ANNUAL REVIEW



Cover image:
Golden Charter employees supporting corporate fundraising for Poppyscotland, November 2016



The Board of Golden Charter

CHAIRMAN'S REPORT



Magnus Swanson
Chairman
Golden Charter Limited

Last year, our Board set out its objectives through to 2021. As our CEO notes in his report, 2016/17 was a challenging year for the business following eight years of unbroken growth in the sales of pre-paid funeral plans. Markets evolved rapidly and the pace of change increased with new entrants and competition, which has demanded a response from us as we seek to continue to support independent funeral directors.

Our links with our shareholder group strengthened under the chairmanship of Julian Walker and the company was able to seek counsel from industry experts as we made some difficult decisions about the way we reach our consumers.

James Tovey was appointed to the Board formally in December 2016, joining Helen Wathall and Julian Walker as the SAIFCharter-nominated funeral directors on the Board. The three funeral directors bring significant industry experience to Board discussions and have been active in gauging the sentiment of independent funeral directors across the shareholder base.

The funeral directors are joined on the Board by Steve Burnett and John Thornton who serve as independent non-executive directors. Steve and John both have extensive board experience after long executive careers in financial services and banking respectively, and have taken lead roles within our Audit and Remuneration committees.

During 2016/17, three executive directors also served on the Board: Ronnie Wayte, Robert Speir and Michael Corish. In April 2017, Michael Corish left the company after a distinguished period of service and the whole Board wishes Michael well in his future endeavours. The Board will move forward with eight members in 2017/18, split 25:75 between executive and non-executive membership.

The Board believes that there remains significant opportunity for growth through Golden Charter promoting the independent funeral director sector. Our TV advertising remains an important step on the journey. We also believe that we can broaden 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 and flexibility during the year as competition has increased.

2017/18 promises to present further changes, not least the departure later in the year of our current CEO, Ronnie Wayte. He informed the Board of his decision earlier this year and we are progressing our search for the best possible replacement in an orderly process, which we expect will come to a conclusion shortly. In the meantime, Ronnie is contributing professionally and fully to the management of the company. This challenge notwithstanding, I believe we are well placed to continue to prosper.

CEO'S REPORT



Ronnie Wayte
Chief Executive
Golden Charter Limited

Following eight years of uninterrupted growth, 2016/17 saw a change of direction for Golden Charter. The Board made a number of decisions that led to a planned reduction in the number of funeral plan allocations available for shareholders. The decisions were taken in full consultation with our shareholders and made against a background of various external pressures, most notably unprecedented levels of competition from both the industry big players and new market entrants. As a result, Golden Charter's market share dropped by 7% during 2016, although market leadership was retained.

In March 2016, shareholders had expressed concerns about the quality of plans being written by intermediaries, echoing the concerns of the Board who had observed a discernible decline in the quality of third-party data. The following month, the Board confirmed our exit from routes to market using unregulated call centres or third-party data sources. These and other changes produced a 60% reduction in funeral plan allocations to funeral directors during 2016/17.

Many of these customers instead bought competing products and, ironically, the funerals were subsequently allocated to shareholders at lower values by our competitors, some of whom do not offer consumers the protection given by the Funeral Planning Authority (FPA). As Julian Walker notes later in his review, this remains a major strategic challenge for Golden Charter and its shareholder base.

As 2017 approached, it was clear that our pricing on Golden Charter branded plans was uncompetitive in the face of significant price reductions across the market place. The consumer had become better educated on funeral plans and shopping around intensified. Online price comparison websites were becoming increasingly prevalent and competitors attacked perceived shortfalls associated with Golden Charter plans, seeking to suggest that Independents could not match corporate service standards.

In response we added optional full guarantees including third-party costs to Independent Way Plus plans. Our marketing highlighted the distinct benefits of Golden Charter's unique relationship with independent funeral directors, and we reduced the prices of our Golden Charter branded plans to match equivalent Co-operative Funeralcare plans.

The Board's decision to finally reduce our prices on Golden Charter branded plans was a considered and difficult one. The Board was acutely aware that this change would have a direct impact on shareholders' funeral margins and held off until February 2017 when it became clear that growth in the Funeral Director channel was stalling and we were losing consumers to competitors deemed to offer better value. Since then we have continued to watch the market closely, which remains competitive and aggressive, with disruptors entering the market on a weekly basis.

We also recognised that more than simple price matching would be required to ensure the security of Independents' market share and maintain consumer choice. Golden Charter is therefore providing greater support for our shareholders, including the provision of additional methods of local promotion, development of a class-leading digital sales platform, trained and dedicated pre-need sales staff embedded in shareholder businesses, and a regional sales manager network equipped to help shareholders optimise their pre-need businesses successfully.

Regulatory pressures, calls for transparency, competitive pricing and the effect of digital aggregators and quasi-comparison sites also had an impact on day-to-day funeral business for shareholders. In response, the company is helping by developing new high quality and innovative services for consumers.

Funeral poverty continued to have a consistently high media profile, with concerns focusing on the ability to pay and the way in which entitlement to benefits is assessed. Recognising that our shareholders should be involved in the debate, the company engaged with cross-party parliamentary groups, regulators and civil servants to assist in the search for solutions that will build a sound framework for the future.

Political attention is turning towards pre-paid funeral plans specifically, with calls for Financial Conduct Authority (FCA) regulation of the market. We welcome this increased scrutiny and support greater consumer protection but are convinced that a stronger FPA, with mandatory membership for funeral plan providers and resellers, will provide a faster and more effective way to ensure consumer interests are protected.

Our legal services arm continued to meet customer needs and to deliver revenue. The Board recognises that much of the potential in the UK later life planning market remains untapped and believes we stay well positioned for growth in the coming year.

Our work over recent years to strengthen the company's balance sheet and operating flexibility was also rewarded as through this period of unplanned change we continued to trade profitably, recording a surplus for the year and strengthening our reserves position on the balance sheet.

The links with our shareholders through SAIFCharter increased under the chairmanship of Julian Walker, which allowed much greater insight to be gathered as we developed our services and products. I would like to thank all of the funeral directors who gave up their time to get involved with SAIFCharter and its sub-committees during 2016/17.

One of our biggest strengths is our people and we implemented a number of initiatives during the year, ensuring that our employees are motivated to continue to provide the best service to our customers and shareholders. Our staff engagement scores were extremely encouraging and our employees were particularly enthused when Julian Walker addressed our staff conference in January, as it gave real insight into what shareholders need from Golden Charter. I am proud of how our staff continued to deliver

for shareholders against a background of change across the organisation.

Our shareholders and customers are extremely well served by our Trustees and the Golden Charter Trust has never been in a stronger position. The Trustees' independence and rigour is a key attribute of the Golden Charter story and I thank the Trustees for their work in ensuring that the Trust fund remains in surplus despite turbulent market conditions.

Golden Charter has come a long way in the 10 years that I have been CEO, with the company trebling in size and continuing to punch above its weight in an increasingly complex and hostile environment. We remain the funeral planning company of the independent family funeral director. This relationship is a key strength and our unique advantage. By enabling our funeral director partners to match their corporate peers we underpin choice for the UK population and, as Independents historically provide the best quality and value* available, we continue to indirectly apply a brake to funeral price inflation.

Looking to the future we expect continued competition on pricing, heavy competitor promotion and increased market disruption as distributors and aggregators look to secure a slice of the current funeral director margins. Our responses will include product innovation underpinned by investment in customer-centric technology. We believe that proactive marketing of pre-paid plans by our shareholders and other Independents, fully supported by Golden Charter, will provide affordable funerals across the UK and a sustainable competitive market providing real choice and value to consumers.

*An independent survey of 68 UK independent funeral director businesses indicated that the average cost of a funeral including third party costs was £3,555 during the last financial year (CJM Research).

FINANCIAL REVIEW



Robert Speir
Chief Financial Officer
Golden Charter Limited

The year to 31 March 2017 was a challenging one for the company. The Board made a number of decisions during the year to cease trading in certain areas of the marketplace that do not meet the quality standards expected by our funeral director shareholders.

Funeral plan sales volumes reduced by 25%, leading to a reduction in turnover of 21% versus 2015/16. To mitigate the impact of this reduction, the company cost base was reduced by 18% versus 2015/16. This was achieved through reducing the cost of sales by ceasing trading with certain third-party marketing agents and moving the Consumer sales model from home visits to telephony only. The cost of sales reduction was augmented by a series of efficiency measures at head office, which reduced administration costs by £1.4m.

As a result, despite the reduction in turnover, the company delivered an operating profit for the fifth year in a row, at £0.9m.

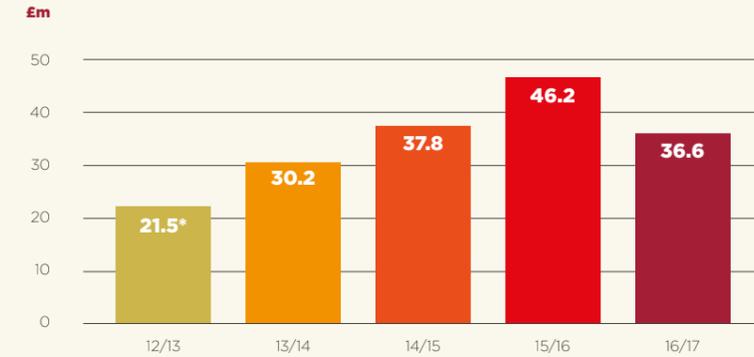
Net assets grew to £5.1m in the year after accounting for payment of a dividend of £0.2m to SAIFCharter Limited. This was a non-cash transaction as the dividend was immediately utilised by SAIFCharter to make the final payment on the loan from Golden Charter in 2006.

At the end of the year Golden Charter held cash of £4.8m, which was an increase of £2.0m in the year, and a high point in the history of the company. This favourable movement was driven by the operating profit, which was augmented by a working capital benefit associated with the cessation in trading through certain third-party marketing agents.

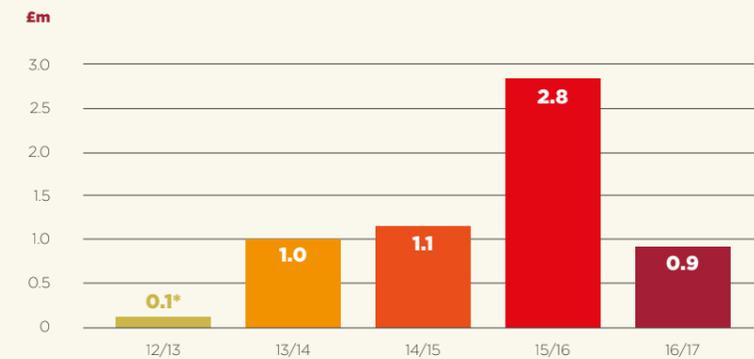
The outlook for the next financial year is expected to be broadly in line with the performance in 2016/17, as the company continues to face increased competition from established industry players and new entrants.

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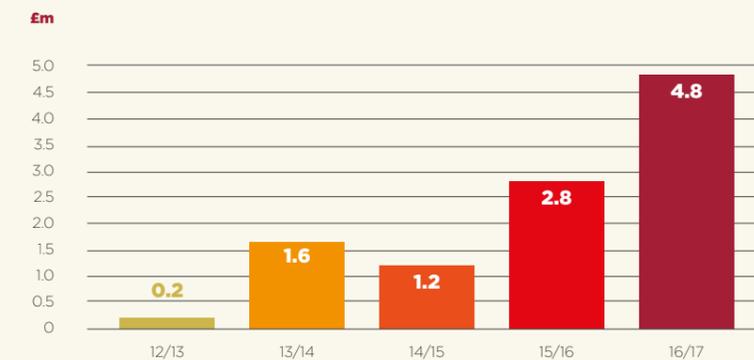
TURNOVER



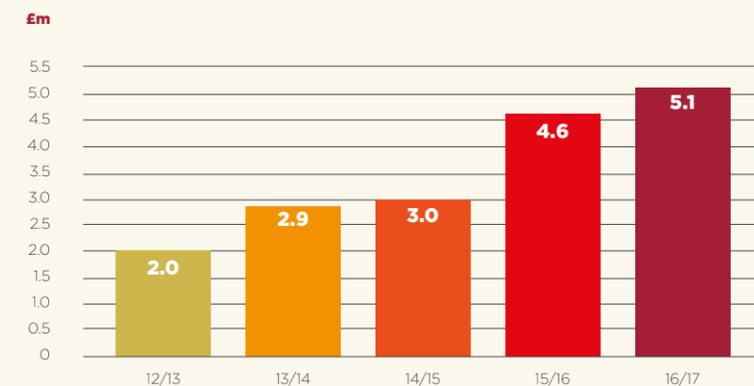
OPERATING PROFIT



CASH AT BANK AND HAND



NET ASSETS



* Consolidated results of Golden Charter Limited and Golden Charter Select Limited

THE YEAR IN REVIEW

Golden Charter led the way in pre-paid funeral planning once more during 2016/17, retaining its position as market leader at December 2016, a position it has now held for three consecutive years.

What follows below is a progress report covering activity from all areas of the business: from sales and marketing, through operations and legal services, to the people who keep it moving forward.

Funeral Director sales

Sales in the Funeral Director channel passed a milestone in 2016/17, with more than 40,000 funeral plans sold during the 12 month period. This landmark five-year objective was set in 2011/12. The Funeral Director channel remains the primary route to market, with 2,147 independent funeral director branches accepting Golden Charter plans and promoting Golden Charter plans exclusively at the close of the financial year.

While sales continued to grow, allocations to Golden Charter's network of more than 3,000 independent funeral directors dropped during the year, primarily as a result of changes to the ways in which plans are marketed directly and through third parties. In particular, significant steps were taken to ensure a focus on quality in third-party sales.

Changes in consumer habits also had an impact on Independents, with price increasingly regarded as a key differentiator for customers. More families took to shopping around, with demand for transparency and value for money becoming more prevalent. Alongside these developments, competition intensified with new entrants in the digital space and familiar big players taking a bigger proportion of plan sales than in recent years. As is always the case in this business, the knock-on effect for independent funeral directors varied widely at a local level.

In response, Golden Charter concentrated on improving the level of support offered to independent funeral directors. A series of free-to-access marketing masterclasses held throughout the country sought to provide simple, practical advice to help Independents promote their businesses within the local community effectively. From getting to grips with social media and pay-per-click advertising to utilising available marketing materials for their premises, the funeral directors and their staff members who attended the sessions delivered positive feedback, and more are scheduled as a result.

More traditional methods of marketing support for funeral directors also continued, with more than 11 million personalised leaflets delivered to local families in 2016/17.

The family who appeared in Golden Charter's national TV advert now feature in all Consumer channel marketing materials



Consumer sales

2016/17 was another year of change for the Consumer channel. During the second half of 2016 the structure of this arm of the business was reviewed. The outcome would see the core funeral plan sales process transformed from telephony-based appointment setting and face-to-face home visits, to an almost wholly telephony-based sales process.

Significant steps had been taken during the previous year to futureproof the existing model. However, various factors were driving a significant change in the market that could not be ignored: changing consumer habits, a decline in the quality of available third party data and a growing number of homes registered with the Telephone Preference Service all led to declining sales conversion rates. As a result, meaningful action was necessary.

By January 2017, the remodelling was complete with a contact centre-based funeral plan sales team in place, supported by a team of estate planning specialists who continue to make home visits across the country due to the sometimes complex nature of our legal services products, and the legal requirements associated with the sales of these products. Initial results were positive, confirming the customer preference to purchase pre-paid funeral plans over the phone. If a customer prefers a face-to-face discussion about

funeral plans, they can, however, with their permission, be referred on to the nearest independent funeral director to discuss their needs.

A further step change took place in February 2017 in response to significant price reductions made by all of the main players in the funeral plan market during 2016. Golden Charter branded plans were discounted across all channels, and the Value Plan was launched. This move recognised the growing need to broaden the company's product offering to suit a wider range of potential customers, including some who are seeking simpler funerals, once again highlighting the importance of consumer choice.

Early results following the discounting of Golden Charter branded plans and the introduction of the Value Plan show that enquiries rose by 22% compared to the final quarter of the previous year, while online sales rose by 134%.

More generally, 2016/17 saw continued investment in the Consumer channel across technology, process improvements and people in order to develop the best possible experience for customers. This work will extend well into next year.





Golden Charter's updated national TV advert highlights the unique connection between the company and independent funeral directors

Intermediaries sales

As early as autumn 2015 we noted a rapid rise in the number of organisations seeking to become resellers in the pre-paid market, changing the established model. At the outset of the year in review, decisions were taken that would change the direction of the Intermediaries channel to align fully with the views and principles of our shareholders. Reflecting the value we attach to 'doing the right thing', Golden Charter cut ties with several third-parties, many of whom had delivered large volumes of plan sales for the business over a 12 month period, but could not consistently meet the high standards of quality required.

This move meant sacrificing a large proportion of the channel's volume and, indeed, the company's overall sales, but allowed for a period of taking stock and redefining objectives. By the close of the year, Golden Charter had secured new agreements with third parties providing only the highest quality customer experience, such as FCA regulated call centres, will writers and IFA networks, with a continued emphasis on avoiding becoming reliant on a small number of sellers.

Working with trusted intermediaries with robust and customer-friendly business models reduced funeral plan cancellation rates during 2016/17, and will deliver sustainable business for Golden Charter and its independent funeral director owners into the future.

Corporate Partnerships

The most significant partnership deal forged during 2016/17 was not one that promised to generate substantial funeral plan sales or profit, but a charitable relationship which saw £25 for every plan sold by a participating funeral director or Golden Charter between September and March donated to The Royal British Legion and Poppyscotland.

To maximise public interest, the deal was launched to coincide with the annual Poppy Appeal, one of the UK's most iconic and recognisable fundraising campaigns.

The Corporate Partnerships channel also took strides into the employee benefits marketplace, with Golden Charter funeral plans and legal services products being promoted by large organisations such as Live Nation and Coventry University to their employees.

Other agreements saw Golden Charter providing funeral benefit options ('legal charges') for leading insurer Beagle Street and funeral plans to members of Ipswich Building Society.

At the close of the year another significant corporate partnership agreement was made, which will see Golden Charter funeral plans appearing in a national title on a weekly basis for the next three years. The company has replaced Dignity plc as the chosen funeral plan partner of the Telegraph Media Group, significantly raising the profile of the business and providing direct access to their readership.

Marketing

We continued our drive to further integrate Golden Charter's marketing strategy during 2016/17 with results demonstrating that a combination of press, TV and digital advertising drives good quality leads.

National TV advertising played a prominent role, with refreshed versions of the advert featuring an independent funeral director to highlight the benefits to the consumer of Golden Charter's unique ownership structure. This activity supplemented national press advertising explaining to families that Golden Charter is the only funeral plan provider owned by independent funeral directors. Research found that this campaign increased brand awareness, recognition and trust.

Our digital strategy, launched in 2015/16, was fully embedded through the year. Informative, content-led social media provided consumers with information on planning a funeral and helped them to make the correct choices for their specific needs.

Overall the number of consumers searching online for Golden Charter tangibly increased. This was despite fierce competition, most notably from tech-savvy intermediaries offering a range of plans from diverse suppliers.

Legal Services

The legal services market remains fragmented and the opportunity for Golden Charter to provide quality products to its families is significant. In recognition of this, Graeme Carruthers was appointed as Golden Charter's first Managing Director of Legal Services, confirming the company's commitment to investing in this area of the business.

The legal services business model is built on customer satisfaction, quality, growth and sustainable profitability, with a product range focusing on the later life planning market, including wills, powers of attorney, protection trusts and probate services. Following a review of the business model during the year, the foundations are now laid for Golden Charter to deliver high quality legal products and services to a fast growing sector of the UK's baby-boomer market.

The business delivered 8% growth across the specialist product range during 2016/17. Around 6,500 wills were completed during the year, primarily for customers who had purchased a funeral plan and had taken advantage of the will option included with some products.



SAIFCharter Chairman Julian Walker and Golden Charter CEO Ronnie Wayte accept The Sunday Times Virgin Fast Track 100 Award, 26th 2016



Golden Charter's 'order to cash' pilot team, who came together to develop a more efficient, customer-focused process from receipt of the plan application to activation

Improving plan holder services

Golden Charter's Operations Team fulfilled more than 72,600 funeral plan and legal services products during the year. More than 98% of funeral plans were delivered in line with agreed service levels, and end-to-end turnaround times for customers purchasing a will improved by 43%.

Customer and funeral director feedback is vital in this area to ensure that the company is living up to the value of genuinely caring for its families. Golden Charter's monthly tracking of plan holders' and funeral directors' levels of satisfaction continued this year, providing an ongoing measure of the current opinions of these key stakeholders and allowing the business to identify areas for improvement and implement changes quickly.

The net promoter score, measuring customer satisfaction, was +63 at the close of 2016/17, representing a commendable rating in comparison with most UK blue-chip organisations.

Concurrently, the number of funeral directors agreeing they were satisfied increased by 9% to 74% from the beginning of the period, and the number who were 'very satisfied' increased by 7% to 40%. A key aim for Golden Charter during 2017/18 will be convincing all funeral directors to participate in this important and influential research exercise.

The central operations focus during the year was a major review of the customer journey, aiming to revolutionise and automate many aspects of the sales process, from receiving a plan application to making it live. This saw staff from across the business working together and empowered to develop a process with customer satisfaction at its core. The efficiencies gained were compelling and the exercise will continue and grow in the coming financial year.

Technology

Investment in new technology and process improvement continued during 2016/17, as the journey from internally developed software to a more flexible future that will allow Golden Charter to deliver significant customer improvements continues.

Having reviewed the IT architecture, a core platform modernisation project was launched to provide greater scalability and resilience. Phase one was completed during the year, with an anticipated final completion date of December 2018.

As part of the review programme, the company will pilot straight through, digitally enabled processing with a group of funeral directors during 2017/18 to reduce input errors and cut the time taken for the customer to receive their plan documentation.

Investment was also made in the company's customer relationship management platform to improve understanding of how Golden Charter can service its families' needs across a range of products.

Assurance

Golden Charter's assurance activity is overseen by the Audit Committee. The committee is chaired by Steve Burnett, an independent non-executive director, who is joined by Julian Walker and James Tovey, both SAIFCharter appointed non-executive directors.

The committee has taken an active role in reviewing sales and operational processes using reports from the Internal Audit and Compliance teams. The committee holds management to account ensuring that improvement plans are developed and implemented where recommended.

The committee was particularly focused on sales quality during 2016/17, and was involved in discussions that led to changes in some sales channel models. Complaint handling was also a priority and the year saw average complaint handling time reduced from nineteen to just four days.

Mystery shopping across all sales channels has provided insightful information on the customer journey, allowing Golden Charter to identify and correct weak sales practices and highlight training requirements.



Business Continuity Planning

Golden Charter, like any organisation, is exposed to risks or unplanned events - such as loss of systems, fire, flood, severe weather and cyber attacks - that can interrupt business operations. As a result, a revised business continuity plan was introduced during 2016/17 to protect the business from these kinds of events.



Award-winning journalist Shelley Jofre led a Q&A session with CEO Ronnie Wayte at Golden Charter's employee conference, January 2017



Long service awards were presented to Gillian Mitchell and Nancy Callaghan during 2016/17

People

A new human resources operations model was introduced to ensure the delivery of the Board's people agenda.

HR Operations, HR Organisational Development and Health & Safety worked together to see through improvements in work processes, health, safety and wellbeing, career progression and internal communication.

The annual staff engagement survey informed many of the areas of focus for the HR Team. High numbers of staff confirmed that they remain proud to work for Golden Charter, with particular praise for line managers, the products offered and the extent to which staff are trusted to make decisions at work. Many employees highlighted the need for continued review of systems and processes, communication, career development and reward.

Work on the company's reward framework brought a new career and salary progression structure. This more transparent structure involved industry benchmarking to ensure fairness and provide clarity on career progression.

Internal communication processes and technology were enhanced with the intranet established as the focal point for accessing company news and policies. Inter-departmental understanding has already improved,

and further developments are due in the coming year. Face-to-face communication is also important and, in January, all staff gathered for the annual employee conference where they were addressed by the SAIFCharter Chairman, Julian Walker.

A revised health and safety management system was launched in October to help all staff to understand their obligations to keep themselves and others safe at work. In the year to come, all employees will undergo health and safety training to ensure they are equipped to consider this part of their everyday role.

Focus on the quality of recruitment continued, with around a quarter of all roles filled secured by internal candidates, thus continuing Golden Charter's commitment to providing development opportunities for employees.

Further projects are planned for the coming year to ensure Golden Charter's people agenda meets the evolving needs of its workforce, and delivers on the pledge to put people first.

Charity

To celebrate 21 years as corporate partner of the Woodland Trust, more than 80 members of Golden Charter staff, friends and family took part in the first ever Golden Challenge event at Loch Katrine in the picturesque Loch Lomond & The Trossachs National Park. Participants braved the midges to run, cycle or walk 21km around the beautiful loch, with more than £7,000 raised for the UK's largest woodland conservation charity. During the year, the total donated by Golden Charter since the partnership was established passed the £1m milestone.

While the company and its network of funeral directors raised £139,000 for The Royal British Legion and Poppyscotland through donations made for pre-paid funeral plans sold, staff also got on board to contribute even more for the sister charities through their own fundraising. A 'corporate raid' for Poppyscotland in November saw staff volunteers take to the streets of Glasgow city centre to collect donations. A bake sale and charity dress down day also contributed to the total of £1,500.



Friends and family were invited to take part in the Golden Challenge

Staff at head office also took part in regular fundraising events including bake sales, raffles and a Christmas Jumper Day to raise more than £1,000 for Marie Curie, while monthly dress down days benefited a variety of charities nominated by staff.

Employees truly embodied the Golden Charter value, 'we genuinely care'.



Staff, friends and family of Golden Charter and the Woodland Trust came together to participate in the first Golden Challenge at Loch Katrine, September 2016

Political Environment

Leading the way in the political arena, Golden Charter wants to work closely with decision-makers throughout the UK to help to provide effective solutions to mitigate the impact of funeral poverty.

The company played a more active role in governmental policy deliberations during the year, seeking to ensure the voices of its funeral director owners were represented.

From meeting individual local parliamentarians to travelling to Westminster, Holyrood, Stormont and the Senedd to engage with politicians and officials with an interest in funeral matters, much progress was made over a short period.

Golden Charter is now represented on the relevant cross-party or all-party parliamentary groups on funerals and bereavement throughout the country, ensuring that shareholders now have their views heard by decision-makers.

One of the stimulants driving this new endeavour was the growing public awareness of funeral poverty. The Scottish Parliament was the first legislature to move on this issue, launching a consultation on newly devolved social security responsibilities that specifically sought public views on the existing Social Fund Funeral Payment, and appealing for proposals for how those in need might be better supported. The business responded, doing so after taking in the views of shareholders, and now awaits further updates on how this improved social security benefit will work in practice for the Scottish people.

SHAREHOLDERS' REVIEW



Julian Walker
Chairman
SAIFCharter



SAIFCharter is the body that represents the owners of Golden Charter Limited. Membership of SAIFCharter is open to those funeral businesses that are members of the SAIF trade association and make the commitment to only promote and sell Golden Charter products and abide by the rules of the association.

Your representatives

Representing this body of approximately 740 funeral businesses is an elected group of 11 working funeral directors, sitting alongside the chief executive of the company on a formal board called the SAIFCharter Executive.

From within this group, three funeral directors are selected to be appointed as non-executive directors on the Golden Charter Board, with the aim of influencing the strategy and tactics of the company in alignment with the values, culture and interests of the ownership group. I serve as a non-executive director of Golden Charter, alongside James Tovey and Helen Wathall.

In addition, Paul Stevenson, a member of the Executive, is nominated as a Trustee of the Golden Charter Trust alongside the appointed independent Trustees.

The SAIFCharter Executive has established a series of sub-committees that are supplemented by the attendance of additional SAIFCharter members. These have a focus on product development, ensuring the voice of the funeral director is heard, and membership and marketing support. Involvement in the sub-committees is ideal preparation for any member who wants to get closer to the workings of Golden Charter, and has provided a springboard for a number of members who ultimately joined the SAIFCharter Executive. I would encourage as many members as possible to volunteer to join our sub-committees.

During the year the Executive has taken steps to maintain their number by co-opting appropriate members, who will require election at the next AGM.

SAIF the trade association

Whilst the names may seem confusing, there is no formal partnership or governing link between SAIF and SAIFCharter or Golden Charter. However, we share a common heritage. An example of this heritage is the continuation of the appointment of suitable representatives by both National SAIF and Scottish SAIF to the SAIFCharter Executive, which maintains liaison and promotes mutual interests.

Golden Charter continues to financially support events and communications for SAIF and encourages active recruitment of new members through the regional sales manager network.

SAIFCharter is increasingly looking to the trade body to deliver a revised, robust and appropriate strategy in order to prepare the independent funeral sector for the challenges of the current and future markets, evolving consumer requirements and expectations, and possible changes to regulatory frameworks.





Funeral director representatives on the Golden Charter Board: Julian Walker, Helen Wathall, James Tovey

Membership

New members have joined SAIFCharter during the year, but this growth has largely been offset by the sale of several member businesses to Dignity and the Co-operative.

The SAIFCharter membership is joined by a significant number of Premier members, that is, businesses that hold National Association of Funeral Director membership and only sell and promote Golden Charter products. Whilst many benefits are shared by both, only SAIFCharter members are paid an enhanced maturity value, which is the best in the market. SAIFCharter would support any Premier member who wishes to move to full member status.

SAIFCharter wants to record our appreciation and thanks on the departure of Michael Corish from Golden Charter. Michael served for many years as the executive responsible for funeral director sales and support; much of the current success of the business is down to his calm and patient approach to our diverse group of members and we wish him well for the future.

Allocations

Funeral directors who promote Golden Charter have for a long time enjoyed allocations of centrally sold plans to supplement their direct sales. The level of allocations has reduced during the year as a result of the decision to exit some significant intermediary agreements and change the lead generation and sales process within Golden Charter. The company has trialled the allocation of leads to funeral directors when a customer requests direct dialogue and this approach continues to be offered. However, the customer appetite for this appears small.

Competition and response

Our key competitors remain the Co-operative and Dignity, who are increasingly using online activity to access customers directly.

Our standing as market leader has attracted significant challenge during the year, most notably from the collective action of the Co-operative. It deployed a well coordinated campaign to dent our market share and compete more actively in the digital sphere, primarily using discounted prices, while concurrently refreshing the Co-op brand and the promise behind it.

During the year, and with direct input from the funeral director representatives, the company changed the way in which it attracts leads, responds to enquirers and does business with its intermediary partners. As a result, Golden Charter terminated relationships with a number of intermediaries for reasons of quality and reputational concern. In many cases, other plan companies have subsequently chosen to partner with these intermediaries and some of our members choose to accept these plans, often from providers who are not regulated by the FPA.

SAIFCharter remains fundamentally challenged by the reality that, by individually accepting pre-paid plans from other providers, funeral directors only increase competition for our company and damage our collective interest. The direct impact is a reduction in Golden Charter maturity values, and an increased cost of sale. From a consumer standpoint, it also creates confusion about how to guarantee access to the local independent funeral network. This issue presents a challenge to the industry and we are fully supportive of moves to enhance the levels of regulation within the pre-paid funeral planning industry.

During the year, SAIFCharter asked the company to further focus on developing the capabilities of funeral directors and we are actively working with Golden Charter to define the expected levels of service that meet the varied needs of our members. The aim is that Golden Charter empowers all members to sell more plans from within the network that will ultimately service the need when death occurs. This will maximise the opportunity to link the funeral network, offering professional advice and local knowledge, with Golden Charter, providing unparalleled security of funds and a variety of attractive payment options.

With full shareholder representative support, Golden Charter maintained its pricing position for the first three quarters of the year in the face of all competitors reducing their headline prices and introducing entry level products. After significant debate, the company introduced a significant price discount to match the competition as there was evidence that the price disadvantage was having a direct impact on funeral plan sales across all channels.

The consequential negative impact on funeral director maturity values is inevitable, leading more funeral directors to focus on increasingly comprehensive Independent Way plans sold by them directly at their own bespoke local prices.

Whilst this price discounting was not a positive nor a necessarily popular step for the profession to take – and I acknowledge that there has been significant disagreement amongst a group of shareholders about this move – the frustrations have been largely quelled through effective communication of the nature of the competitive threat. This has highlighted the need for timely communication from the SAIFCharter Executive, while also being mindful of alerting competitors to our intent.

Conclusion

This has been a most challenging year, culminating in a positive outlook for the future and establishing the importance of funeral director input into the strategy of the company. Ultimately, there is minimal risk of under-funded plans for the customer, as that risk remains with the funeral director. The company is mindful of balancing pricing to deliver retention of Independent market share with providing plan values payable on death that realistically reflect the costs of providing those funerals.

“

THE TRUST IS A FUND WHOSE ASSETS ARE ENTIRELY SEPARATE AND INDEPENDENT OF GOLDEN CHARTER LIMITED.

”



ABOUT THE TRUST

Background

The Golden Charter Trust was established in 1990 to hold, invest and administer the funds received from individuals and families who have purchased funeral plans sold by Golden Charter Limited. The Trust is a fund whose assets are entirely separate and independent of Golden Charter Limited.

The Trust exists both for the protection of funeral directors who have undertaken to carry out the funeral services in accordance with the plan terms and conditions, and for the plan holders themselves.

The Trust's investments are held in a wholly owned subsidiary company, The Golden Charter Trust Limited. This allows the investment business of the Trust to be conducted more efficiently. The Directors of The Golden Charter Trust Limited are the Trustees of The Golden Charter Trust.

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 a Board of Trustees comprising of experienced business people from a wide range of backgrounds. They are required by majority to be independent of Golden Charter Limited. In addition, the Trust employs a full time Company Secretary who has responsibility for managing the legal, financial and administrative affairs of the Trust on a daily basis. The Company Secretary is assisted by a Risk & Operations Analyst.

The Board of Trustees is responsible for all substantive investment policy decisions. However, oversight of the Trust's investment affairs is delegated to the Investment

Strategy Group, a specialist sub-committee of Trustees, whose members all have significant investment experience. The Investment Strategy Group reports regularly and makes recommendations to the Board of Trustees.

In performing their strategic investment function, the Trustees and the Investment Strategy Group take advice from their investment advisers, Barnett Waddingham LLP, and from the various appointed investment managers who perform the day-to-day portfolio management within their agreed mandate.

Each year the Trust and its subsidiary prepare accounts in accordance with UK Accounting Standards. The accounts are audited by Grant Thornton LLP and reviewed by the Trust's Audit Committee. In addition, the Trust's Actuary provides an annual actuarial valuation of the assets and liabilities. The Trust's audited accounts and the actuarial valuation are sent annually to the Funeral Planning Authority.

CHAIRMAN'S STATEMENT



Ian Blackford
Chairman
The Golden Charter Trust

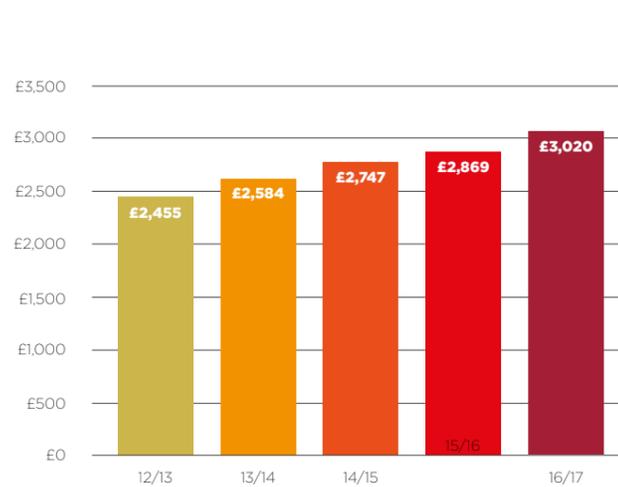
“
WE HAVE BUILT
A STRONG
FOUNDATION
FOR THE FUTURE
LONG-TERM
BENEFIT OF
FUNERAL
DIRECTORS AND
PLAN HOLDERS.
”

On behalf of the Board of Trustees, I am pleased to present our Annual Review of The Golden Charter Trust for the year to 31 March 2017. The Trustees are committed to providing clear information about the Trust and the funds we hold on behalf of funeral directors and plan holders.

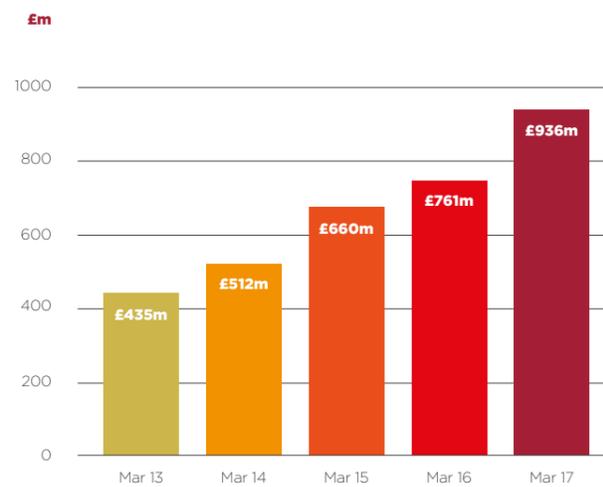
How the Trust has performed in the year to 31 March 2017

I am pleased to report another year of continued growth in the net asset value of the Trust through both increased cash flow from new plan sales by Golden Charter Limited, and positive investment returns. The audited net assets of the Trust at the year-end totalled £936m (2016 audit: £761m). This demonstrates the ongoing strength of The Golden Charter Trust with the average value of an outstanding funeral plan at the year-end now £3,020 (2016: £2,869).

The average value of a plan, and the value of the Trust, have both grown significantly over the last five years. The first chart below shows how the average value of an outstanding plan has grown from £2,455 in 2013 to £3,020 in 2017. The second chart shows how the value of the Trust has grown from £435m at 31 March 2013 to £936m at 31 March 2017. Looking ahead, we anticipate that the average plan value and the Trust's value, will continue to grow in line with Golden Charter Limited's forecasts for plan sales and from prudent management of our investments.



AVERAGE PLAN VALUES



YEAR-END NET ASSET VALUES

Review of investment strategy

Last year I reported that the Board of Trustees had taken the decision to change our asset allocation policy to meet our principal investment objective, which 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. Our new strategy required a move to holding a broader mix of investments, to include gilts, equities, property and infrastructure funds.

I am pleased to report that this major exercise is almost complete and full details are given by my fellow Trustee, Gareth Howlett in his Investment Report. I would like to take the opportunity to thank the Trustees who serve on our Investment Strategy Group and our investment advisers, Barnett Waddingham, for all their endeavours in implementing this important change.

Actuarial valuation as at 31 March 2017

The Actuary's Report below 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.

Regulatory compliance

During the year, Golden Charter Limited submitted its 2016 annual return to the FPA, which included the submission of the Trust's audited accounts and actuarial report.

The accounts to 31 March 2017 for The Golden Charter Trust and its subsidiary, The Golden Charter Trust Limited, have been audited by Grant Thornton.

Governance

The Trust's Audit Committee, chaired by Geraldine Gammell, monitors the integrity of the Trust's financial statements, reviews internal financial controls including risk management systems, and recommends the appointment of external auditors to the Board of Trustees.

Uplift to plan values and additional maturity payments

It is the aim of the Trust to pay growth on outstanding funeral plans at a level at least equivalent to the annual percentage increase in the Consumer Price Index. Our prudent management of the Trust fund has allowed the Trust to continue to uplift plan values and deliver sustainable plan payouts to independent funeral directors.

In addition, the Trustees are pleased to confirm that additional maturity payments, as advised by Golden Charter Limited, will be paid from the Trust to qualifying funeral directors, on each plan maturing between 1 April 2017 and 31 March 2018. The Trust's ability to continue to pay additional maturity payments from the Trust will be reviewed annually by the Trustees and is dependent on the impact of investment performance on the funding level of the Trust as advised by our Actuary.

Summary

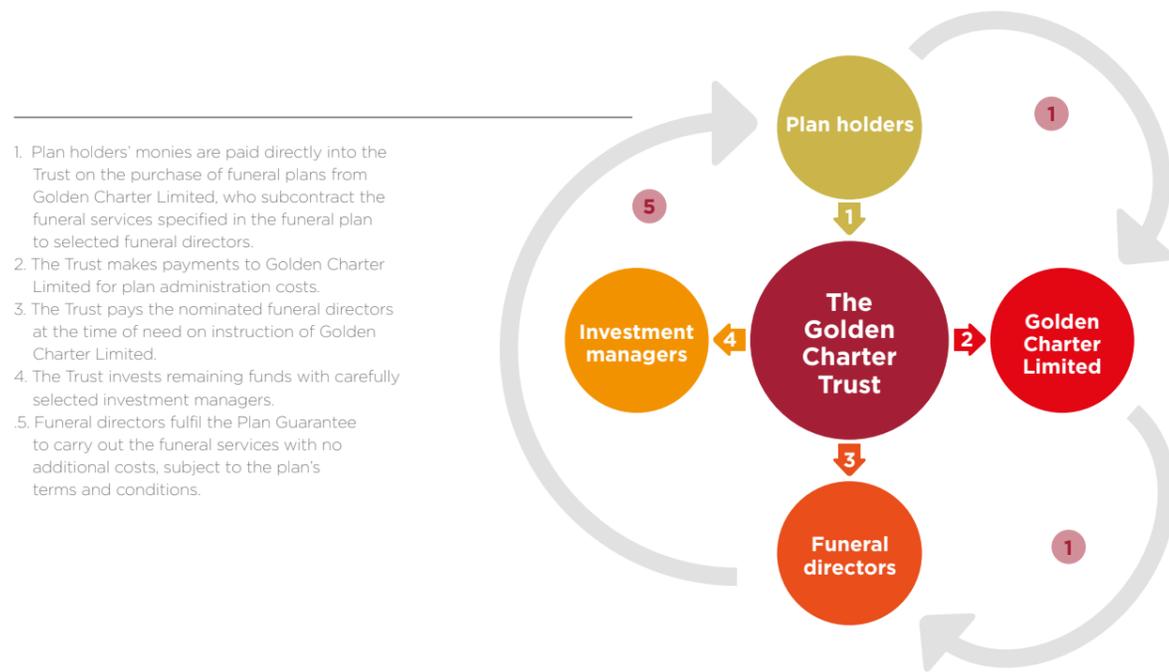
The Trust continues to be governed in an efficient and effective manner in accordance with the Trust Deed, the duties and responsibilities obligated on the Trustees under Trust Law, and the FPA Rules and Code of Practice.

I believe we have built a strong foundation for the future, and you can be reassured that, with a combination of retaining a high calibre of Trustee, adherence to regulation, and maintaining the Trust's reputation, the Board of Trustees will continue to safeguard the assets of The Golden Charter Trust for the long-term benefit of funeral directors and plan holders.

Finally, I would like to thank my fellow Trustees for their hard work, commitment and support over the year. I would like to make a special mention of thanks to James Tovey who resigned from the Trust Board in November 2016 to take up a position as non-executive director of Golden Charter Limited. I am also delighted to welcome Paul Stevenson who has replaced James as Trustee. As Vice President of SAIF Scotland and a member of the SAIFCharter Executive, Paul will bring valuable and relevant experience to the Board of Trustees.

How plan money is protected, utilised and invested

All money received from the sale of funeral plans is paid directly into the Trust. The money (after expenses, as noted below) is invested in accordance with the Trust's investment strategy, which is designed to achieve the growth necessary to meet the principal objective of the Trust. How plan money is protected, utilised and invested is illustrated in the chart below.



Expenses of the Trust

The Trust incurs overheads for maintaining the Trust on a day-to-day basis. These include fees paid to investment managers and professional advisers.

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

ACTUARY'S REPORT



Graeme Muir
Barnett Waddingham LLP
Consultant Actuaries

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

On an annual basis, as at 31 March, 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 full valuation was at 31 March 2017 and showed that the Trust's assets were over 100% of the funds required to meet 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.

“

AT 31 MARCH 2017, THE TRUST'S ASSETS WERE OVER 100% OF THE FUNDS REQUIRED TO MEET FUTURE FUNERAL COSTS.

”



INVESTMENT REPORT



Gareth Howlett
Trustee & Chairman of the
Investment Strategy Group

“ THE TRUST’S FUNDING POSITION IS HEALTHY, AND INVESTMENT RETURNS HAVE BEEN SATISFACTORY. HOWEVER, THE TRUSTEES REMAIN VIGILANT. ”

Principal investment objective

The Trustees’ principal investment objective is to invest the Trust’s 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 also in a manner that deals with maturing funeral plans in the short and medium terms.

Investment strategy

To meet the principal objective, the Trustees regularly review the Trust’s investment strategy throughout the year. In my last report, I reported on the changes in investment strategy, which had been decided by the Trustees, in conjunction with our investment advisers, during the 2015/16 financial year. The Trust Fund’s long-term target is now to hold 55% of assets in index-linked gilts, with the balance of 45% divided amongst global equities, diversified growth funds, long lease property, infrastructure assets and cash. The implementation of these changes has been a continuing process over the last two years, and it was largely completed by the year-end.

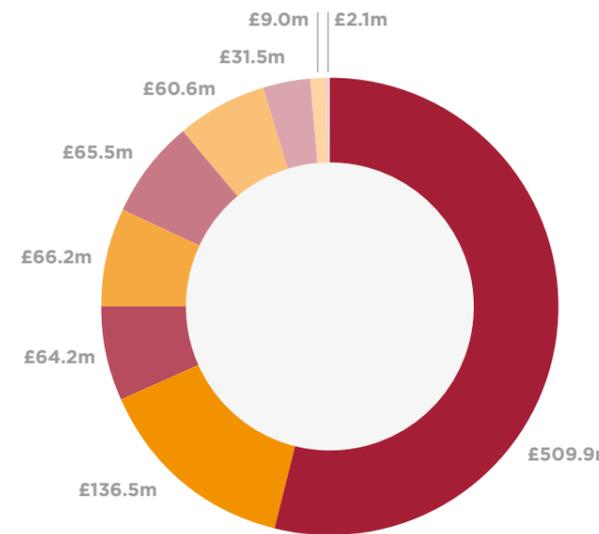
An additional significant change will be implemented in the 2017/18 financial year, following the Trustees’ decision that the index-linked portfolio should be run on a ‘passive’ rather than an ‘active’ basis. This decision was made on the grounds of cost reduction and protection against the risk of underperformance.

This means that the manager of our index-linked portfolio will no longer buy and sell holdings frequently in order to try and beat a ‘benchmark’ index; instead, they will try to track the performance of the benchmark by holding the specific gilts of which it is composed. As a result of this decision, Royal London Asset Management (RLAM), who have served the Trust well for many years, will be replaced by Legal and General Investment Management (LGIM). The change of investment manager will take effect during the third quarter of 2017 and the impact of the change from active to passive management of our index linked gilt portfolio will, subject to market volatility, result in smoother performance and a significant reduction in management costs.

The Trustees have also taken the separate decision to replace RLAM with Aubrey Capital Management in the role of independent investment manager of the Trust’s assets. This role is a requirement of the Financial Services and Markets Act 2000, and applies to the Trust’s investment in Golden Charter Trust Limited, a wholly owned subsidiary company, which holds the various investment portfolios for the Trust’s benefit. The role is purely regulatory, but the Trustees believe it should not be held by any investment manager which is, or could be, a manager of any of the underlying assets owned by the Trust through its subsidiary company.

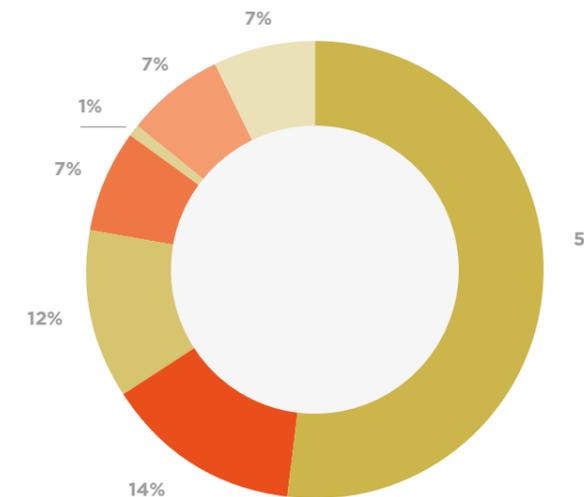
Investment managers

At 31 March 2017, the Trustees employed RLAM, Aviva Investors, Partners Group, Artisan Partners, Newton, Baillie Gifford and Threadneedle as their investment managers. The allocation by investment manager and asset classes at 31 March 2017 is shown in the charts below.



VALUE IN £M OF INVESTMENTS BY INVESTMENT MANAGER AT 31 MARCH 2017

- ROYAL LONDON
- ARTISAN
- CASH
- AVIVA LIME
- BAILLIE GIFFORD
- NEWTON
- COLUMBIA THREADNEEDLE
- PARTNERS GROUP
- DIRECT PROPERTY



PERCENTAGE ALLOCATION OF INVESTMENTS BY ASSET CLASS AT 31 MARCH 2017

- INDEX-LINKED GILTS
- GLOBAL EQUITIES
- PROPERTY
- DIVERSIFIED GROWTH FUNDS
- INFRASTRUCTURE
- CASH
- REAL RETURN

Summary

The Trust’s funding position is healthy and investment returns have been satisfactory. However, the Trustees remain vigilant in case either of these key indicators shows signs of weakness.

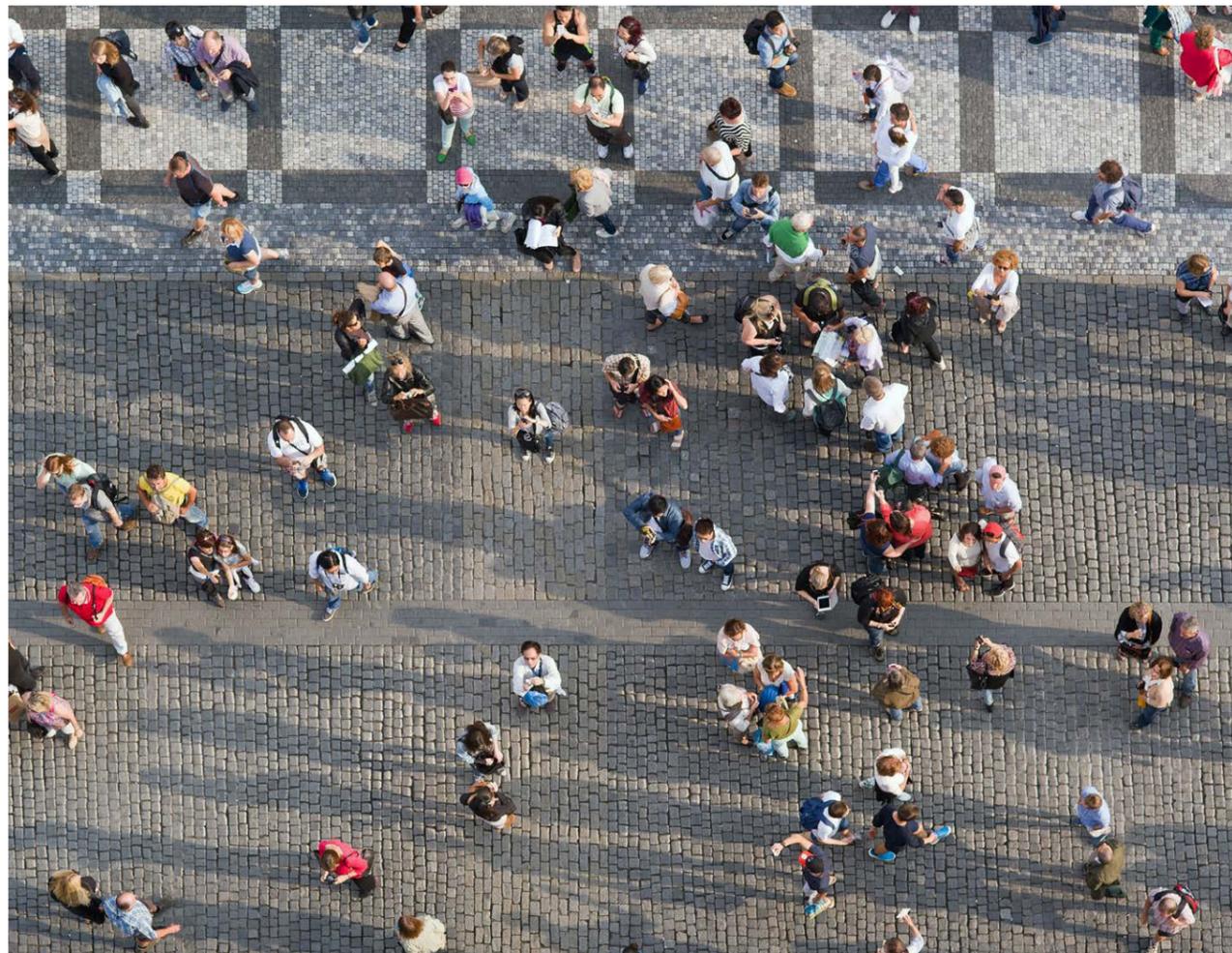
THE FUNERAL PLANNING AUTHORITY

About the FPA

The Funeral Planning Authority (FPA) is an organisation set up by the industry to regulate providers in the UK pre-paid funeral plan industry. Its primary aim is to ensure that providers registered with the FPA are operating in a manner that will result in customers getting the funeral they have paid for at the time of need. Choosing a provider registered with the FPA offers an additional level of reassurance to customers purchasing a plan.

The role of the FPA

The FPA exists to add objective scrutiny to providers who choose to register with the organisation, and this is carried out by an Independent Compliance Committee. By ensuring that providers conform to the FPA Rules and Code of Practice, consumers are given basic protection and reassurance when they buy a plan from a registered provider.



The registration process

To become a registered provider and maintain a registered status with the FPA, the provider must complete an initial registration process and then an annual process. The registration process requires the provider to complete a series of application forms and to provide the FPA with detailed information about their business model. This includes items such as any Trust Deed, insurance agreement, accounts, actuarial valuations, investment arrangements and plan literature. This registration process provides additional reassurance to current and prospective customers that the provider is operating to standards beyond the minimum legal requirements, and that this has been verified by an objective third party.

Complaints

The FPA takes complaints about registered providers and third parties they may work with very seriously. The organisation prides itself on helping to drive up market standards, and supporting customers in resolving complaints is just one of the ways it does this. In the first instance, the FPA recommends that customers approach their plan provider directly and most complaints can be resolved at this stage. However, if customers have done this and do not feel that their complaint has been resolved, then the FPA will assist in trying to resolve the complaint with the provider and will, if necessary, offer access to the FPA's independent dispute resolution service.

Tracing a plan

The FPA can also assist customers who wish to find out whether a funeral plan is in place. It can do this by contacting all registered providers, who cover the majority of the market, asking them to search their databases for a plan with the plan holder details provided. If any provider has a potential match, they will contact the enquirer directly and carry out their normal data protection checks.

For further information about the FPA, how to lodge a complaint or trace a funeral plan, please visit www.funeralplanningauthority.co.uk



BUILDING A SUSTAINABLE FUTURE

ANNUAL REVIEW
2016/17

Golden Charter 

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