



ANNUAL REPORT 2009

CHAIRMAN'S STATEMENT



Peter Hindley

“I am delighted to present the annual statement of National Funeral Trust for the 52 weeks ended 25th December 2009.”

The Trust provides security for plan-holders' payments for Chosen Heritage, Personal Choice, Royal London and Dignity Funeral Plans.

The Managing Trustees have always been committed to providing as much information as possible about the money paid by plan-holders, together with other information about the Trust and once again I am pleased to present this annual statement.

Annual Reports for the National Funeral Trust have been published since the early 1990s, as we believe it is important that we are open and give clear information about the Trust. Once again I am pleased to be able to report that this year has seen continued improvement in the asset values of the Trust.

The number of plans outstanding at the period-end was 82,660 compared with 81,356 at the same time last period.

The Managing Trustees continue to review their investment strategy and respond to market changes. They receive quarterly reports from M&G Investment Management Limited who are also invited to Trustee meetings to discuss the options available. The Trustees have set out strict investment guidelines designed to prudently minimise risk. These are presented later in this document.

During the period, the Trustees gave M&G Investment Management Limited the ability to invest assets held in cash, into fixed rate or index linked corporate bonds rated BBB or higher, provided the assets had a duration of no more than 7 years. Assets with a duration of more than 5 years are required to be index linked. This change recognises the current low interest rate environment and should give the Trust a higher return on this part of the portfolio.

Financial Services Authority requirements for Funeral Plan providers

HM Treasury requirement	The National Funeral Trust
Trust established by written instrument	Yes
More than half the trustees must be unconnected with Dignity Pre Arrangement	Yes
The trust must have an independent fund manager	Yes
Annual accounts must be prepared by a registered auditor	Yes
The assets and liabilities of the trust must be actuarially valued at least once every 3 years	Yes - The National Funeral Trust has annual actuarial valuations

I am also pleased to report that every year, the Managing Trustees request the Actuary to the Trust to undertake an actuarial review of assets and liabilities. The Actuary is appointed by the Trustees and conducts his review following discussions and agreement with the Managing Trustees of the assumptions that he should use. Although the requirement under the rules of HM Treasury is only triennial the Managing Trustees believe that annual valuations are appropriate to ensure a constant assessment of the funds of the Trust.

The Institute of Actuaries has produced an Exposure Draft to define a standard for valuing the assets and liabilities of pre-arranged plans and we are advised by our Actuary that the valuations that he has performed, both this year and in the past, conform to these standards.

The actuarial valuation showed that after paying for the funeral of each plan-holder there remains a healthy surplus.

The Funeral Planning Authority (FPA) was established in 2001 and monitors annually, the activities of all its members.

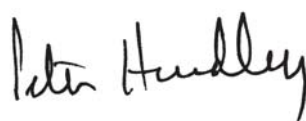
Dignity Pre Arrangement Limited is a founder member of the FPA.

The past period has seen an increase in the number of affinity partnerships while sales through Dignity's branches continue to improve.

I would like to thank my fellow Trustees for their application and effort in support of the Trust's activities and initiatives during this time.

We all look forward to 2010 as a time when there will be further growth in the Trust.

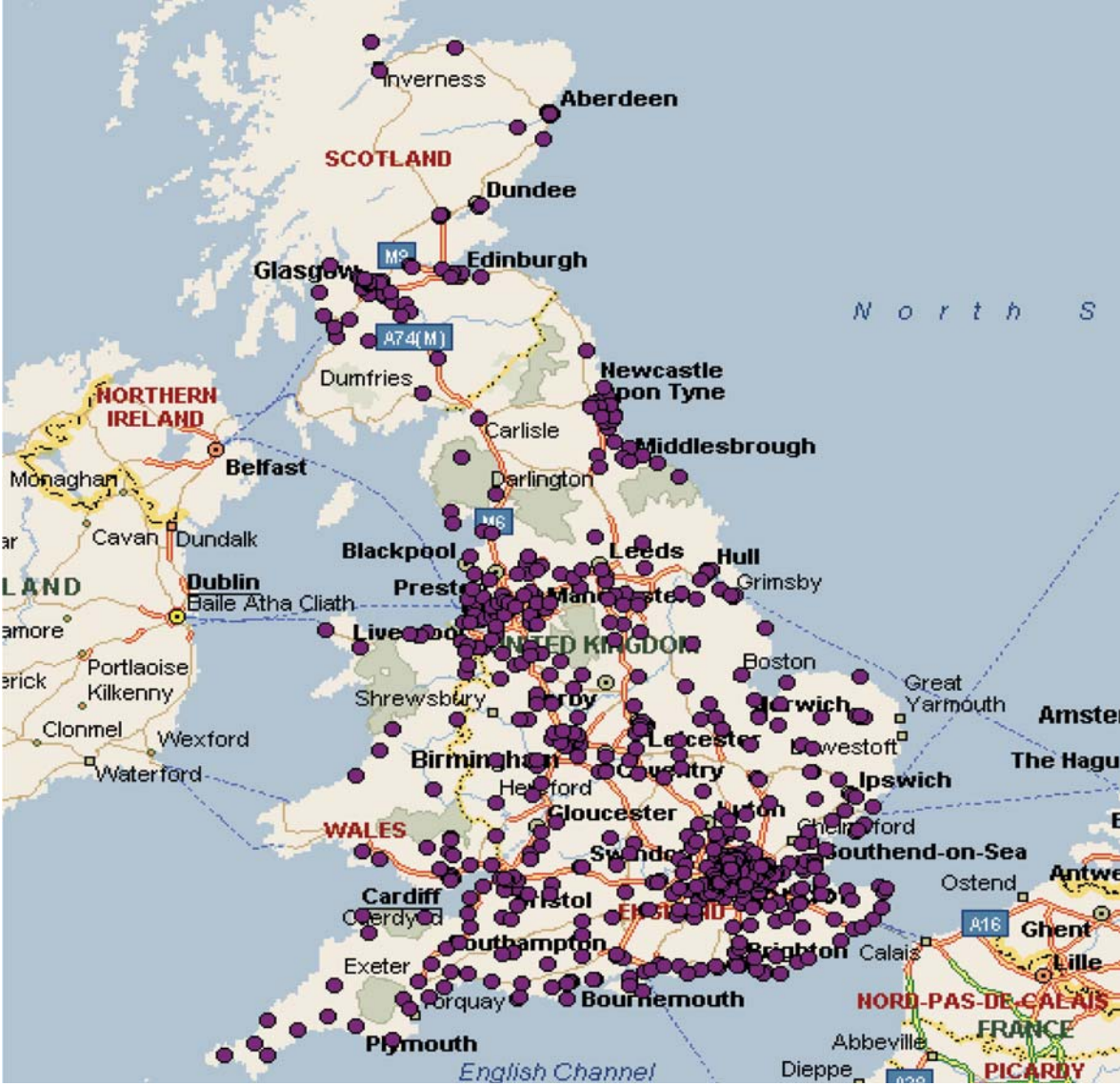
The Trustees confirm that as far as each Trustee is aware there is no relevant audit information of which the Trusts auditors are unaware. The Trustees further confirm each of them have taken all steps that they ought to have done as Trustees to make themselves aware of any relevant audit information and to establish that the Trusts auditors are aware of that information.



Peter Hindley
Chairman of the Trustees
National Funeral Trust



Geographic coverage of funeral directors serving NFT members



● National Funeral Trust funeral directors

WHY A TRUST?

National Funeral Trust is a fund whose assets are entirely separate and independent of Dignity Pre Arrangement Ltd and its parent or associated companies. The Trust Fund is fundamental to the security of both members and funeral directors. Dignity provides a guarantee to carry out the funeral service for each plan-holder, and

payment is only made to the funeral director once the funeral has taken place. In this way we are able to ensure plan-holders receive the funeral that they have chosen. The Trust was established in 1986 and the Statement of Net Assets show the amount held in respect of future funeral obligations.

TRUST FUND SECURITY

One hundred percent of all funeral plan payments received are paid directly into the Trust. All of the Trust's bank accounts are under the complete control of the Custodian Trustee, Royal Exchange Trust Company Limited. Members make cheques payable to National Funeral Trust. No director or employee of Dignity is a signatory to the Trust bank accounts. Payments from National Funeral Trust to Dignity Pre Arrangement Limited can only be made by Royal Exchange Trust Company Limited after agreed reimbursement procedures between them and the Managing Trustees have been followed. These payments include membership fees where applicable,

expenses of the funeral directors in providing their service and sums in respect of approved expenses in marketing and administering the scheme. An independent audit of the Trust is carried out annually by PricewaterhouseCoopers LLP. In addition an independent actuary reviews the value of the fund annually.

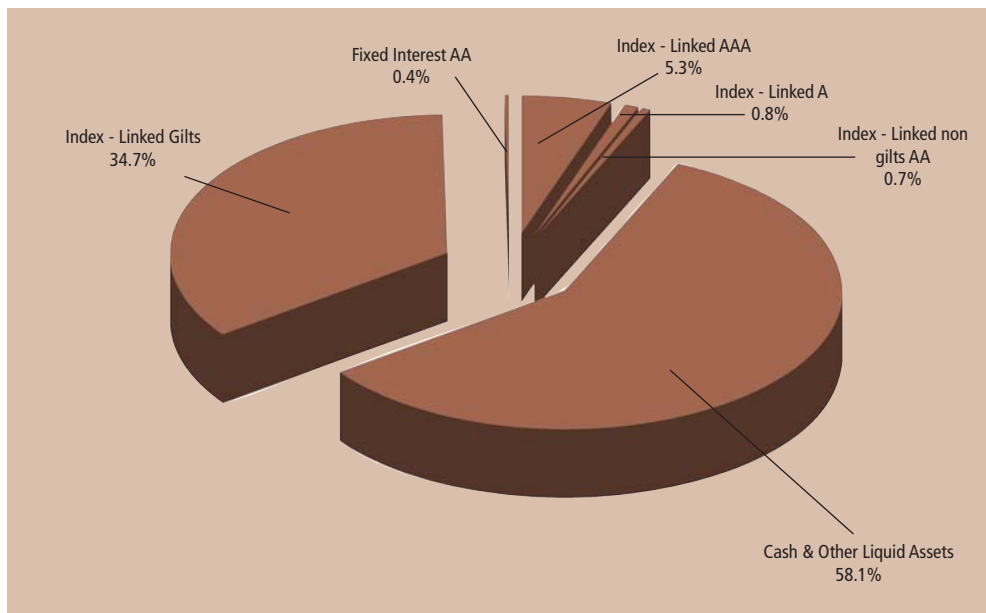
STATEMENT OF NET ASSETS

Extracted from the audited accounts.

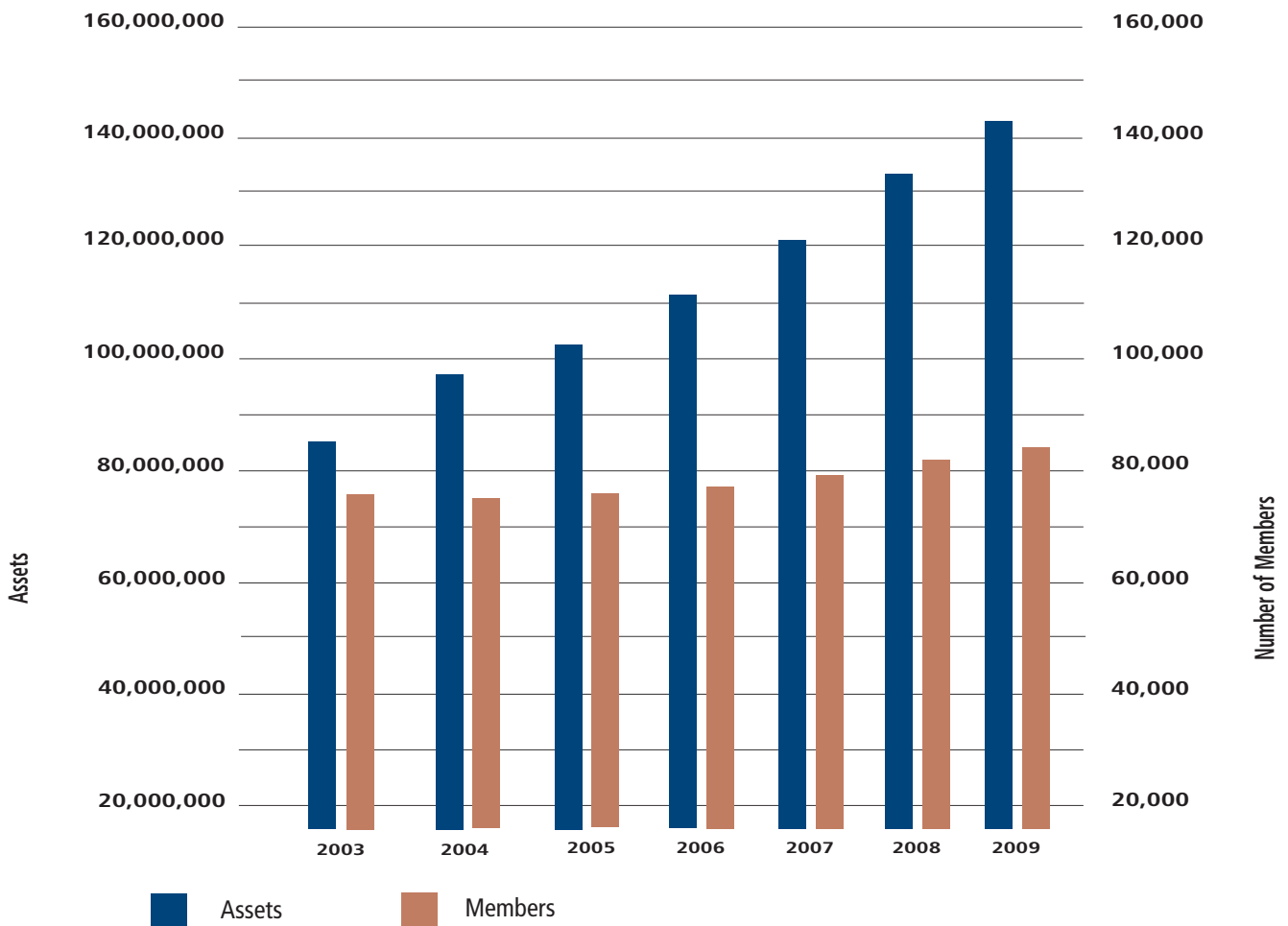
As at 25th December 2009

	2009	2008
	£'000	£'000
Fixed asset investments	57,179	55,365
Current assets		
Short term deposits and cash	80,761	71,269
Prepayments	507	1,154
Instalments due from members	8,549	8,380
	89,817	80,803
Current liabilities		
Accruals and other creditors	(3,483)	(3,273)
Net current assets	86,334	77,530
Amount held in respect of future funeral obligations	143,513	132,895

HOW THE FUND IS INVESTED



Trust Fund Net Assets and numbers of current members



THE INVESTMENT MANAGERS

With effect from 1st May 2002, M&G Investment Management Limited have managed the investments of the Trust Fund. M&G Investment Management Limited is part of the Prudential group. Fixed income management is one of their key areas of expertise and M&G Investment Management Limited have under management £168.9 billion of fixed income assets as at 31 December 2009. Of this, around £17.3 billion was managed on behalf of institutional clients.

The objectives and restrictions that guide their investment are regularly reviewed by the

Managing Trustees and the following criteria are currently in force:

The assets shall comprise only sterling denominated index-linked and fixed interest bonds or non-gilt floating rate notes. All investments are of investment grade or higher. Investments shall comply with the limits set out in the following table.

The Trustees may, from time to time, realise bonds and hold funds in cash.

Description of investment	Maximum proportion of portfolio	Minimum proportion of portfolio	Maximum holding in any one entity within the class
UK Government	100%	25%	100%
Non-gilt issued by supranational, government-guaranteed or sovereign organisations	75%	0%	50%
Others rated AAA	60%	0%	10%
Rated AA+	50%	0%	5%
Rated A+	30%	0%	5%
Rated BBB- to BBB+	10%	0%	1%

THE CUSTODIAN TRUSTEE

Royal Exchange Trust Company Limited is the legal Custodian Trustee. Its duties are carried out by Capita IRG Trustee Limited under a Power of Attorney following the sale by Royal Exchange Trust Company of its Corporate Trustee business to Capita IRG. Capita IRG Trustee Limited is a subsidiary of Capita Group plc, which is a FTSE 100 company whose business is the provision of

a wide range of corporate support services. It controls all payment from the Trust's bank accounts, and all investments are registered in designated accounts held under the control of Royal Exchange Trust Company Limited. The Investment Manager maintains regular contact with the Custodian Trustees.

THE ACTUARY

At the beginning of 2007, Mr Jeremy May of PricewaterhouseCoopers LLP was appointed actuary to the Trust. His task is to make skilled and informed assessment of the future liabilities of the Trust, and the investment strategy required to meet all future commitments. A team of actuaries at PricewaterhouseCoopers LLP, a leading consultancy firm, supports him. The actuary is completely independent from Dignity and

prepares a full actuarial valuation every twelve months. The actuary compares the assets of the Trust with the expected cost of existing members' funeral plans to ensure that it is not dependent upon new members joining to maintain its financial strength.

MANAGING TRUSTEES

Dignity is responsible for the day to day marketing and administration of the various plans. The Managing Trustees have overall responsibility for the management of the National Funeral Trust. Their specific duties include setting the investments policy in

consultation with the Actuary and ensuring that this policy is communicated to, and followed by, the Investment Managers. They meet on a regular basis and keep a close watching brief on the performance and administration of the Trust.

Peter Hindley

Peter Hindley is the chairman of the Trustees, and was appointed Non-Executive Chairman of Dignity plc in January 2009.

John Hough

John Hough was appointed as an Independent Trustee of the National Funeral Trust in October 2000. John was Chairman and Managing Director of Aspen plc, a city-based firm of actuaries and pension consultants, for 19 years. He was a founding shareholder of this firm having previously followed an actuarial career and then worked as an investment consultant. As an independent trustee of various pension schemes, institutional funds, charity distribution funds, and Non-Executive Chairman of two Companies, John has wide experience of such roles. He has been a Trustee of another pre-paid funeral fund for more than 10 years and the collective value of all these appointments exceeds £1.0 billion.

Brian Doherty

Brian Doherty has been a professional within the pensions industry for more than 30 years, having worked for Prudential and Sedgwick. More recently Brian established his own pensions consultancy, which was acquired by what is now Heath Lambert. Brian is now an Executive Director of Heath Lambert Consulting, who are specialist pension advisers. He is also director of Caledonian Trustees Ltd.

THE DIGNITY PORTFOLIO



A range to meet every requirement.

For further details on our range of funeral plans call free on

0800 38 77 17



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MANAGING TRUSTEES

PT Hindley (Chairman)
JW Hough
B Doherty

CUSTODIAN TRUSTEE

Royal Exchange Trust Company Limited
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AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

ACTUARY

PricewaterhouseCoopers LLP
Cornwall Court
19 Cornwall Street
Birmingham B3 2DT

INVESTMENT MANAGER

M&G Investment Management Limited
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ADMINISTRATION MANAGERS

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