Dignity plc Annual Report & Accounts 2013

Delivering on our strategy
for sustainable growth

Dignity®
CARING FUNERAL SERVICES

About Dignity

At 27 December 2013 Dignity owned 690 funeral locations and operated 39 crematoria in the United Kingdom. We continue to have a strong market presence in pre-arranged funeral plans, where people plan and pay for their funeral in advance.

We are a FTSE 250 company listed on the London Stock Exchange, with over 2,700 employees serving families and local communities across the United Kingdom for generations.

We are here to help people at one of the most difficult times in their lives. We do this with compassion, respect, openness and care. Our aim is to be the company everyone knows they can trust in their time of need.

Contents

In this year's report

Strategic Report

The Annual Report is presented differently this year, following the latest compliance requirements. As the Group's strategy has not changed significantly year on year, a lot of the information provided is similar to previous years, albeit shown in a slightly different sequence with some elements expanded.

The Group's key performance indicators are unchanged.

See Strategic report: p.04 to p.41

Governance

The Group early adopted changes to the Remuneration Report last year in line with the draft guidance. The changes in this year's report reflect the finalisation of that guidance.

Other governance matters are reflective of the new guidance.

See Governance: p.42 to p.70

Financial Statements

The Group's financial statements are presented consistently to last year. A significant acquisition, debt issue and Return of Cash to shareholders necessitates some additional disclosures.

See Financial statements: p.71 to p.120

Other Information

This section provides other useful information to shareholders that is not covered elsewhere in the report. The Group's Notice of Meeting is incorporated into the Annual Report within this section.

See Other information: p.121 to p.128

Front cover:
Ann Kitto, Funeral Manager at B Bernard & Sons in Scarborough.

Key financial highlights

A year of continued strong revenue and profit growth

Current period financial highlights	2013	2012	Increase per cent
Revenue (£million)	**256.7**	229.6	12
Underlying operating profit[a] (£million)	**78.4**	69.4	13
Underlying profit before tax[a] (£million)	**52.9**	46.1	15
Underlying earnings per share[b] (pence)	**72.1**	62.8	15
Cash generated from operations[c] (£million)	**94.2**	83.3	13
Operating profit (£million)	**75.1**	68.7	9
Profit before tax (£million)	**49.6**	45.4	9
Basic earnings per share (pence)	**72.8**	65.1	12
Interim dividend paid in the period[d,e] (pence)	**–**	5.36	n/a
Final dividend paid in the period[f] (pence)	**10.75**	9.77	10
Return of Cash (£million)	**61.9**	–	n/a

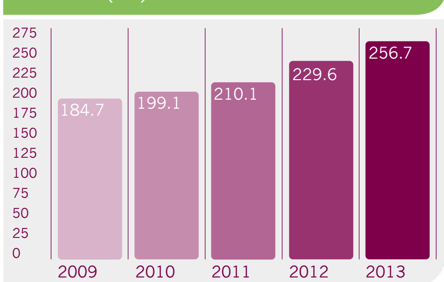
[a] Underlying profit is calculated as profit excluding profit (or loss) on sale of fixed assets and external transaction costs.
[b] Underlying earnings per share is calculated as profit on ordinary activities after taxation, before profit (or loss) on sale of fixed assets and external transaction costs (both net of tax) and exceptional items, divided by the weighted average number of Ordinary Shares in issue in the period.
[c] Cash generated from operations excludes external transaction costs and exceptional pension contributions.
[d] Interim dividend represents the interim dividend that was declared and paid in the period out of earnings generated in the same period.
[e] An interim dividend was not paid separately in 2013, but was instead included within the £1.08 Return of Cash per Ordinary Share paid August 2013.
[f] The final dividend represents the final dividend that was declared and paid in the period relating to the earnings generated in the previous period.

+12%
Revenue up 12% to £256.7 million

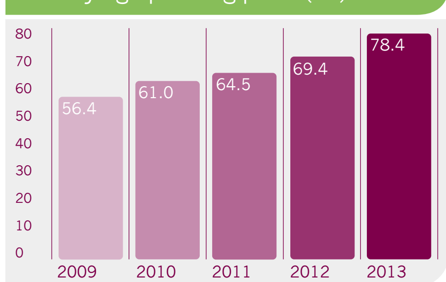
+13%
Underlying operating profit up 13% to £78.4 million

+15%
Underlying earnings per share up 15% to 72.1 pence per share

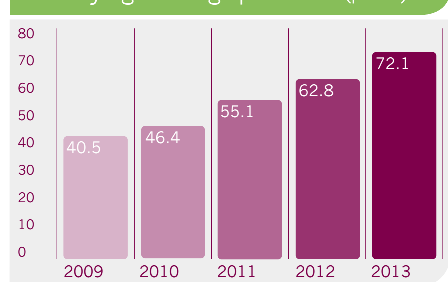
Revenue (£m)



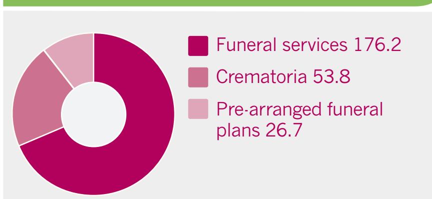
Underlying operating profit (£m)



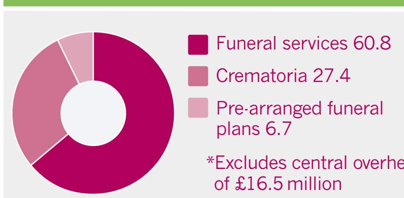
Underlying earnings per share (pence)



Revenue by area (£m)



Underlying operating profit by area* (£m)



*Excludes central overheads of £16.5 million

Dignity at a glance

Dignity is one of the leading providers of funeral related services in the UK. As an industry leader, we strive to set the highest standards of service, facilities and care, ensuring we are all well positioned to meet the needs of our clients for generations to come.

Find out more about our business operations, actions and progress: p.22 to p.27

A Proud History

We have a rich and proud heritage and many of our businesses have been serving their local communities for generations. Our oldest funeral location was established in 1812 and our oldest crematorium in 1903.

1812

George S Munn & Co, Glasgow
George S Munn & Co is Dignity's oldest funeral directors and was established in 1812.

1840

Francis Chappell & Sons, London
Francis Chappell & Sons opened their first funeral home on Deptford High Street in 1840 and now have branches supporting bereaved families across southeast London and Kent.

1876

Beckenham Cemetery, Kent
Beckenham Cemetery is the oldest cemetery operated by Dignity.

1880

J H Kenyon, London
Established by James H Kenyon the business has conducted funerals for the Royal Family, politicians and other prominent figures.

1884

Frederick W Paine, London
Charles Paine opened his first funeral home in New Malden in 1884 and ten years later the business passed to his son, Frederick W Paine.

1903

Birmingham Crematorium
The oldest crematorium operated by Dignity and when it opened in 1903 was one of only nine such facilities in the UK.

1920

W S Harrison & Son, Newcastle upon Tyne
After serving in World War I, William Samuel Harrison established himself as a funeral director in the east end of Newcastle. In 1928, he was joined by his son, Albert, and they began to serve increasing numbers of families throughout the 1930s. In 1980, David Harrison, great grandson of William Samuel, joined the company and continues to manage this business.

1950

T J Davies & Son, Newport
Thomas Davies, grandfather of Operations Director, Andrew Davies, established his business in 1950.

1950

Seaford & Newhaven Funeral Service, East Sussex
The carpenters of C Morling Ltd had built coffins for 100 years before opening a funeral business in Seaford in 1950.

1994

Dignity Caring Funeral Services
Dignity was created in 1994 through the merger of Plantsbrook Group and Great Southern Group.

2008

Northern Ireland
Dignity acquired six funeral locations in Northern Ireland.

2013

Yew Holdings Limited
Dignity acquired Yew Holdings Limited in 2013, adding 40 funeral locations and two crematoria to the portfolio.

Our Business Today

Dignity's operations are managed across three main areas, namely funeral services, crematoria and pre-arranged funeral plans.

Funeral services

Business overview

We are a major provider of funeral services in the UK and we strive to set the highest standards of service and care.

At 27 December 2013, we operated a network of 690 funeral locations throughout the United Kingdom generally trading under established local trading names.

Funeral services revenues relate to the provision of funerals and ancillary items such as memorials and floral tributes. In 2013, Dignity conducted 68,000 funerals which represented approximately 11.9 per cent of total estimated deaths in Britain.

690
Number of funeral locations in the UK.

68,000
Number of funerals conducted during 2013.

Crematoria

Business overview

We are the largest single operator of crematoria in Britain with a growing portfolio of well-established and state of the art crematoria that meet the needs of the local communities we serve.

At 27 December 2013, we operated 39 crematoria in England and Scotland.

Crematoria revenues arise from cremation services and the sales of memorials and burial plots at Dignity operated crematoria and cemeteries. In 2013, we carried out 55,500 cremations representing 9.9 per cent of total estimated deaths in Britain.

39
Number of crematoria Dignity operates in England and Scotland.

55,500
Number of cremations conducted during 2013.

Pre-arranged funeral plans

Business overview

We are one of the UK's leading providers of pre-arranged funeral plans and we continue to strengthen our position in this growing market.

At 27 December 2013, the number of unfulfilled funeral plans increased to 323,000.

Pre-arranged funeral plans income represents amounts to cover the costs of marketing and administering the sales of plans. Pre-arranged funeral plans allow people to plan and pay for their funeral in advance. Dignity works with a number of reputable affinity partners.

590,000
We have already helped more than 590,000 people arrange their funeral in advance.

323,000
Number of unfulfilled funeral plans as at 27 December 2013.

Our core business objectives

We aim to achieve our business objectives in a professional, caring and responsible manner and our business goal is simple – to continue building a sustainable business that meets the needs of all our stakeholders; our clients, employees, shareholders and the wider community.

Find out more about Our strategy: p.08 to p.17

Building a Sustainable Business

Our Promise

Helping our clients every step of the way

Serving the people in our local communities at one of the most difficult times in their lives remains at the heart of everything we do and we are committed to providing the highest standards of service and care. At every step of the way we are compassionate and caring; we pay attention to detail; we spend as much time as a client needs; we are open and straightforward and we keep in contact.

Reputation and Relationships

Managing our business responsibly

Our business is built upon trust, respect, reputation and relationships and we demonstrate our values and governing principles through our day to day behaviour and conduct ourselves in a responsible and ethical manner.

Our Objectives

Delivering on our key objectives

Our strategy defines what is important to our business:
- Prioritise client service and ensure we meet the needs of our clients;
- Control our costs;
- Expand our portfolio of funeral and crematoria locations;
- Gain new clients through the sale of pre-arranged funeral plans; and
- Maximise shareholder value through efficient use of the balance sheet.

Our Consistent Strategy

Creating long-term value and growth

Our clear and consistent strategy enables us to achieve our business goal of growing and developing Dignity as a long-term, profitable and sustainable business that delivers value to all our stakeholders.

From the Chairman

A strong business, with strong governance

Peter Hindley, Chairman

"These results mark 10 consecutive years of growth as a public company with consistently high customer service.

Key points

- Underlying earnings per share has increased 15 per cent to 72.1 pence per Ordinary Share.
- No changes to the Board.
- The outlook remains positive.

See Governance and structure: p.42 and p.43
See Board of Directors: p.44 and p.45
See Remuneration report: p.54 to p.67

10 consecutive years of growth

I am delighted to be able to report another strong year for the Group. This report is the tenth since the Group's flotation in 2004 and these results mark 10 consecutive years of operating profit growth and consistently high customer service.

Underlying operating profits increased 13 per cent to £78.4 million (2012: £69.4 million). Underlying earnings per share increased 15 per cent to 72.1 pence per Ordinary Share (2012: 62.8 pence per Ordinary Share).

Dividends

The Board is proposing a final dividend of 11.83 pence per Ordinary Share to be paid on 27 June 2014 to members on the register at close of business on 23 May 2014. This dividend is subject to the approval of shareholders at the Annual General Meeting ('AGM') on 5 June 2014. This increase marks the tenth year of 10 per cent compounded growth in our dividends.

The Board

There have been no changes to the Board in the year. I am delighted that following the expiry of their initial two year appointments, both Martin and Jane have agreed to remain as Non-Executive Directors until at least 1 April 2016.

My thanks extend to all members of the Board, who continue to lead the Group well. The Board's effectiveness has been evaluated in the year through its first independent external assessment, which reported that the Board was functioning well.

Strategic Report and Governance

The Board is committed to the highest standards of corporate governance in order to achieve its objectives and meet the necessary standards of accountability and integrity. The Directors' Statement on Corporate Governance and the Report on Directors' Remuneration on pages 54 to 67 provide a description of how the main and supporting principles of The UK Corporate Governance Code (September 2012) have been applied within the Group during 2013.

Our people

I remain grateful to all members of staff for the work they have done, whether they have joined part way through the year, or have been with us for many years. Service remains central to all we do and as our survey results show, is outstanding.

Outlook for 2014

The 10 years since flotation have been tremendously successful for the Group and its shareholders. Our consistent strategy throughout that period has served the Group well.

Looking ahead, there are no plans to alter this strategy. Outstanding client service is central to our success which combined with operating our locations efficiently, adding further funeral and crematoria locations where possible and attracting new clients with pre-arranged funeral plans should collectively result in the business continuing to grow efficiently. This in turn should result in appropriate returns for all our stakeholders.

As expected, 2014 has started quietly, however the Board's expectations for 2014 remain positive and unchanged.

+13%

Underlying operating profit up 13 per cent to £78.4 million (2012: £69.4 million).

11.83 pence

Final dividend of 11.83 pence, the tenth year of 10 per cent compounded growth in our dividend.

Chief Executive's overview

Well positioned to continue to deliver long-term sustainable growth

Mike McCollum, Chief Executive

" I am pleased with the performance of the Group.

Key points

- The Yew Acquisition has integrated well.
- The core business has performed strongly.
- Our objectives are unchanged.

See Market overview: p.06 and p.07
See Our strategy and business model: p.08 and p.09
See Operating review: p.22 to p.27

Overview

In the 10 years since flotation, operating profits have grown on average by eight per cent per annum and earnings per share has increased by an average of 16 per cent per annum. Over the same period, an initial investor (at £2.30 per share) would have had approximately 140 per cent of that amount returned in cash and still be holding an investment worth approximately 4 times their initial investment (assuming a current share price of £15).

This has all been achieved against a backdrop of high and improving customer service, good staff retention and careful investment.

Our performance in 2013

I am pleased with the performance of the Group, with underlying operating profits increasing 13 per cent and each operating division performing well in the year. Underlying earnings per share increased 15 per cent to 72.1 pence.

The recent acquisition of Yew Holdings Limited ('Yew' or the 'Yew Acquisition') has expanded our presence in the North of England and offers exciting opportunities for the Group. I am pleased with its progress since acquisition.

The additional issue of new bonds in July and subsequent Return of Value to shareholders demonstrates our continued efficient use of our balance sheet.

The integration of Yew

Every business we acquire is important, with significant energies used to ensure each one is operated and integrated successfully. The £58.3 million Yew Acquisition represented the largest such challenge for the Group in recent history, with 40 funeral locations, two crematoria and approximately 200 employees joining us.

I am very pleased with the way existing staff and new staff have worked together to ensure the business has been welcomed, integrated and subsequently managed, in a manner that has maintained their local reputations.

These locations have received approximately £1.6 million of capital investment already, with a further £2.0 million – £2.5 million earmarked for 2014.

This has translated into operational performance in line with our expectations, supporting the rationale presented to shareholders at the time of acquisition.

Continued investment across our core business

Whilst the acquisition of Yew and the Return of Value were significant transactions for the Group in the period, I was determined that we should not lose focus on our core business, which has delivered the majority of growth for the Group in past years.

As such, we have continued to invest in our infrastructure and our people. This has delivered excellent client service and operational results.

Our people – integral to our success

I regularly receive letters of thanks from grateful families which we have had the privilege of looking after at such a difficult time. These remind me of the integral part our staff have played in our success in the last 10 years and their crucial role in our future. I am delighted that we have been able to acknowledge this by paying a discretionary bonus equivalent to £1,000 for each full time member of staff in recognition of their dedication and contribution to the Group's strong financial performance.

A strong platform for growth

Our strategy is simple: prioritise client service; manage our operations efficiently; expand our portfolio of funeral and crematoria locations; and gain new clients through the sale of pre-arranged funeral plans. We also seek to maintain an efficient balance sheet. We will continue to follow this path in the year ahead.

Our clients do not choose us by chance. Three quarters of the families we serve have used us before or choose us because of recommendation and reputation. They return and recommend us because of the quality of service we provide and because they consider us good value for money.

Market overview

The industry we operate in

"The Group monitors and responds to the environment it operates in.

Key points

- The funeral director market is very fragmented.
- Approximately 70 per cent of crematoria are owned by local authorities.
- Annual variations in the number of deaths are relatively small.
- There is not currently any regulation pending that would materially affect the funeral industry.

Overview

The funeral market as a whole does not change rapidly year on year, but the effect over a number of years is noticeable, whether it is the number of deaths per year, or the number of funeral or crematoria locations within the industry. The Group monitors and responds to the environment it operates in, seeking to understand the implications for the short, medium and long-term.

The UK funeral market today

The funeral director market is very fragmented, with approximately two thirds of funeral directors being small owner managed businesses.

There are approximately 270 crematoria in the UK, with approximately 70 per cent owned by local authorities.

Regulation

The provision of funeral services is not regulated. Trade organisations such as the National Association of Funeral Directors ('NAFD') provide training and qualifications, although they are not mandatory. Dignity would welcome further regulation of the funeral industry setting out minimum standards for core aspects, such as the care of the deceased.

Crematoria are subject to environmental regulation, with emission levels being monitored by environmental health officers. Recent changes for the abatement of mercury emissions have improved the environmental position.

Pre-arranged funeral plans are regulated by the Finance Services and Markets Act, which requires customers' money to be held in an independent trust or an insurance policy.

Office for National Statistics data

Some of the Group's key performance indicators rely on the total number of estimated deaths for each period. This information is obtained from the Office for National Statistics ('ONS').

The initial publication of recorded total estimated deaths in Britain for the 52 weeks in 2013 was 560,000 compared to 551,000 for 2012. Historically, the ONS has updated these estimates from time to time. As in previous years, the Group does not restate any of its key performance indicators when these figures are restated in the following year.

Although annual deaths have declined significantly since the early 1990s from 640,000 to a low of 539,000 in 2011, the last five years have seen a more stable number of reported deaths between 539,000 and 560,000 per annum.

Stable industry

The number of deaths in the UK is stable and predictable. Annual variations are relatively small. In the last 30 years, the year on year variation has always been less than five per cent, with most years below two per cent.

Competition

Whilst a precise list of all funeral directors is not available, data from Matter Communications and Yell suggest that the number of funeral directors in the UK has increased from approximately 4,300 in 1998 to 5,500 in 2013.

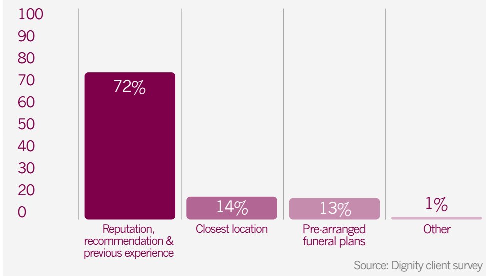
Although competition is increasing, the nature of a service business is that the quality of service being provided is not known in advance. Consequently, reputation and recommendation remain a key driver in someone's choice of funeral director.

With crematoria, amongst other things, planning laws require there to be a need for a new crematorium in a particular area. This can be difficult to prove and can be an emotive subject for local residents. This, combined with availability of land and the high capital cost of construction has limited the growth in the number of crematoria in the UK.

Pre-arranged funeral plans allows the Group the opportunity to gain incremental funerals. Our national network allows us to work with national partners offering a funeral plan anywhere in the UK.

Forward look

There is not currently any regulation pending that would materially affect the funeral industry. The ONS expects the number of deaths per annum to start to increase at some point before 2020.



“In the last 10 years, Dignity has strengthened its position in each of the markets that it operates in.

Key points

11.9%
Dignity's funeral market share.

9.9%
Dignity's crematoria market share.

323,000
The number of unfulfilled pre-arranged funeral plans.

98.1%
In 2013, 98.1 per cent of respondents to our client survey said that they would recommend us.

See Our strategy and business model: p.08 and p.09
See KPIs: p.18
See Client survey: p.19
See Operating review: p.22 to p.27

Dignity's strong position within the industry

Funeral services

Dignity has approximately 12 per cent of the funeral market. This gives the Group sufficient size to operate its locations efficiently in a way that shares expensive resources such as mortuaries and specialist vehicles, whilst providing very high levels of service to each family it looks after.

This size still gives the Group good scope to acquire owner managed businesses in areas where it is not well represented. This was demonstrated well with the acquisition of Yew in 2013.

Crematoria

With 39 crematoria, Dignity is the largest single operator in the UK. With approximately 10 per cent of the crematoria market, this still gives it significant scope to expand through acquisition or new builds where possible.

Pre-arranged funeral plans

Dignity's national network of funeral locations and strong relationships with many different affinity partners has allowed it to sell significant volumes of pre-arranged funerals that should represent incremental activity for the funeral division.

Quality and consistency of service

Excellent customer service is critical to the success of the Group. As explained on page 19, this is monitored closely with results demonstrating consistent levels of outstanding service. A recent report by YouGov indicated that 88 per cent of people were either very pleased, fairly pleased or were neither pleased nor displeased with the funeral they had organised. In 2013 by contrast, 99.2 per cent of families said that Dignity met or exceeded their expectations.

Forward look

In the last 10 years, Dignity has strengthened its position in each of the markets that it operates, doing so in a way that provides excellent customer service whilst delivering consistent returns to its shareholders.

Whilst past performance is not necessarily a guide to the future, the Group believes that its strategy is still appropriate for the current market.

Our strategy and business model

Our strategy defines the direction for Dignity and our key objectives for delivering against it. Through our clear and consistent strategy and resilient business model, Dignity is well positioned to continue to create value and deliver long-term sustainable growth.

Our Strategy

We plan to grow the profitability of our business by:

- Operating in a traditional market where people use our services based on our reputation and through recommendations, where we believe our continued commitment to excellent service for our clients will generate a high level of referral and organic growth;
- Continuing to control our operating costs;
- Developing or acquiring additional funeral locations;
- Developing, managing or acquiring additional crematoria;
- National marketing of pre-arranged funeral plans, principally through affinity partners; and
- Efficient use of our balance sheet to enhance shareholder returns.

Our Key Objectives

1 Ensuring the highest levels of client service excellence:
- High levels of client service demonstrably affect clients' willingness to recommend our services. Recommendations and our reputation generate approximately 72 per cent of our funeral business.

2 Recruiting, developing and retaining the best people:
- Our employees are central to the success of the business. We seek to recruit and retain the best people through appropriate remuneration and ongoing training.

3 Continued investment:
- We invest significantly in our existing businesses to ensure it is of the highest standard, both in client facing areas and behind the scenes. We also seek to invest in new businesses that will help Dignity grow and create value for shareholders.

4 Growing our business responsibly:
- As an industry leader, we aim to be both successful and good corporate citizens.

5 Delivering long-term shareholder returns:
- Our business is driven by relatively predictable factors over long periods of time. This allows us to operate and fund our business in a way that generates value over the long-term.

Key Points

98.1%

In the 2013 client survey 98.1 per cent of respondents would recommend us.

See Client survey: p.19

29%

The percentage of Dignity employees who have over 10 years service.

See CSR: p.34 to p.41

£78.9 million

£18.2 million invested in capital expenditure and £60.7 million in acquiring new locations.

See Operating review: p.22 to p.27

FTSE4Good

Dignity is identified as a company that meets globally recognised standards of corporate responsibility.

See CSR: p.34 to p.41

£261 million

Since flotation, £261 million has been returned to shareholders.

See Financial review: p.28 to p.31

Find out more about how we are delivering on our strategy: p.10 to p.17

How we align remuneration to strategy

The majority of Executive Directors' remuneration is conditional on achieving short and long-term financial performance targets.

Find out more in the Report on Directors' remuneration: p.54 to p.67

Developing and Growing Our Business

Our core business

Funeral services
Each year we invest in the refurbishment of our funeral properties, the renewal of our fleet and staff training initiatives enabling our people to provide the highest standards of client service.

Crematoria
We continue to invest in our crematoria facilities to provide peaceful gardens of remembrance and chapels for our clients.

Pre-arranged funeral plans
We continue to work closely with our affinity partners and funeral locations for the sale of pre-arranged funeral plans.

Other growth opportunities

We also develop and grow our business through:

- the acquisition of well established and well respected funeral businesses;
- the opening of new satellite funeral locations;
- the construction of new crematoria;
- management of local authority owned crematoria; and
- developing new affinity partner relationships for the sale of pre-arranged funeral plans.

What We Believe In

What we are here to do:

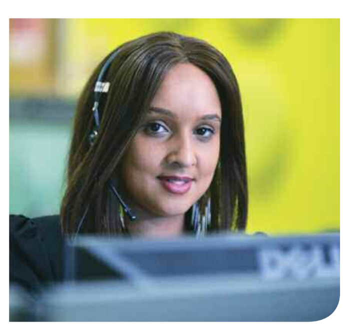
- To help people at one of the most difficult times in their lives.

How we do this:

- With compassion, respect, openness and care.

What we want to be:

- The company that everyone knows they can trust in their time of need.



Find out more about our business operations, actions and progress: p.22 to p.27

Delivering on our strategy

Ensuring the highest levels of client service

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We continue to prioritise service and care.

Serving the people in our local communities at one of the most difficult times in their lives remains at the heart of everything we do and we are committed to providing the highest standards of service and care and to helping our clients every step of the way when they need us.

Why service quality is important to our business

- We are focused on service because our clients do not use us by chance. Three quarters have used us before or choose us because of recommendation and reputation. They return and recommend us because of the quality and consistency of service we provide.
- We continue to prioritise service and care. The responses we receive to our client surveys demonstrate our ongoing commitment to this. The results of our client surveys for 2013 continue to be at exceptionally high levels, with 99.2 per cent of respondents saying that we met or exceeded their expectations.

See Client survey: p.19 and Operating review: p.22 to p.27

99.2%

In the 2013 client survey 99.2 per cent of respondents said that we met or exceeded their expectations.

Delivering on our strategy continued

Recruiting, developing and retaining the best people

"

Our people continue to be integral to our success.

We have over 2,700 experienced and dedicated people from the communities they serve or from families that have been in the funeral profession for generations. We value our people, promote diversity and recognise achievement and long service.

Why our people are so important to our business

- The performance we achieve is a result of the hard work, dedication, and diligence of all our people.
- We continue to focus on ongoing training and development of our staff to enable them to fulfil their potential, giving them the skills to be able to meet our clients' expectations. Recruiting, developing and retaining our best people enables us to continue to improve our operations and the quality of the service we provide to our clients.

29%

29 per cent of our staff have over 10 years service.

See more about our people in CSR: p.36 to p.38

Delivering on our strategy continued

Continued investment

> "We continue to develop and invest in our business.

One of Dignity's strengths is that we continually invest in our established funeral businesses, crematoria, fleet and staff so that our clients experience the very best service and facilities. We also seek new businesses that will help Dignity grow.

Why continued investment is important to our business

- Ongoing investment in client facing areas and behind the scenes is critical to ensuring the greatest care possible can be given to families and their loved ones. Investment in our crematoria helps our facilities to provide the best possible service to the families and funeral directors that use them.
- In January 2013, Dignity expanded its presence in the North of England by acquiring 40 funeral locations and two crematoria (the Yew Acquisition) at a cost of £58.3 million. An additional £1.6 million has been invested in these businesses with a further £2 million – £2.5 million earmarked for 2014 to further enhance the services they provide to their clients.
- Ongoing investment in our business ensures that we continue to lead the funeral profession for client service and care.

See Operating review: p.22 to p.27

£14.2 million

The amount Dignity has invested in 2013 on new fleet and improving locations.

Delivering on our strategy continued

Growing our business responsibly

“

We are well positioned to continue to deliver sustainable growth.

As one of the leaders in the funeral profession we aim to be both successful and good corporate citizens. We aim to achieve our business objectives in a caring manner, acting responsibly in all our relationships and playing a positive role in the communities we serve.

Why growing our business responsibly is important

- At Dignity we understand that how we perform and take care of our reputation, our clients, our people, the environment and the local communities we serve, as well as how we plan for the future needs of our business are of critical importance to us having a sustainable and ethical business that continues to deliver long-term value for all our stakeholders.
- In turn, through our clear and consistent strategy and resilient business model, we believe that Dignity is well positioned to continue to deliver long-term sustainable growth.

£83,000

Dignity raised approximately £83,000 for its corporate charity, Marie Curie Cancer Care, in 2013.

See more about community initiatives in CSR: p.41

Our key performance indicators

The Group uses a number of performance indicators to both manage the business and ensure that the Group's strategy and objectives are being delivered.

How we align KPIs to strategy

Each KPI reflects a quantifiable measure of different aspects of the Group's strategy. They act as headlines for the Board, allowing them to then use more detailed management information to consider the Group's strategy and financial performance in greater depth where appropriate.

Group Performance

KPI	KPI definitions	52 week period ended 27 December 2013	52 week period ended 28 December 2012	Developments in 2013
Total estimated number of deaths in Britain (number)	This is as reported by the Office of National Statistics.	560,000	551,000	The number of deaths was higher than the previous year. Over the last three years, the number of deaths has been broadly flat.
Funeral market share excluding Northern Ireland (per cent)	This is the number of funerals performed by the Group in Britain divided by the total estimated number of deaths in Britain.	11.9%	11.2%	The Yew Acquisition has increased market share.
Number of funerals performed (number)	This is the number of funerals performed according to our operational data.	68,000	63,200	Changes are a consequence of the total number of deaths and the Group's market share.
Number of cremations performed (number)	This is the number of cremations performed according to our operational data.	55,500	50,500	Changes are a consequence of the total number of deaths and the Group's market share.
Crematoria market share (per cent)	This is the number of cremations performed by the Group divided by the total estimated number of deaths in Britain.	9.9%	9.2%	This increase reflects the additional locations acquired and the maturing of recently constructed crematoria.
Unfulfilled pre-arranged funeral plans (number)	This is the number of pre-arranged funeral plans where the Group has an obligation to provide a funeral in the future.	323,000	290,000	This increase reflects continued strong sales activity offset by the crystallisation of plans sold in previous years.
Underlying earnings per share (pence)	This is underlying profit after tax divided by the weighted average number of Ordinary Shares in issue in the period.	72.1p	62.8p	Strong growth following the increase in operating profits.
Underlying operating profit (£million)	This is the statutory operating profit of the Group excluding profit (or loss) on sale of fixed assets and external transaction costs.	£78.4m	£69.4m	Strong growth driven by the core business as well as acquisition activity.
Cash generated from operations (£million)	This is the statutory cash generated from operations excluding external transaction costs and exceptional pension contributions.	£94.2m	£83.3m	The Group continues to convert operating profits into cash efficiently.

A summary of the Group's financial record for the last five years can be found on p.119 and p.120

The Dignity client survey

In addition to these key performance indicators, we also closely monitor the results of our client surveys to ensure we continue to maintain the highest levels of excellent client service.

In the last five years, we have received over 165,000 responses.

The Client Survey Performance

Why it is important

Ensuring the highest levels of client service is one of our key strategic objectives and is fundamental to our continued success.

How we performed in 2013

The results of the client survey clearly demonstrate client service is at the heart of everything we do and the quality of our service remains at consistently high levels.

Reputation and recommendation

99.2% (2012: 99.3%)
99.2 per cent of respondents said that we met or exceeded their expectations.

98.1% (2012: 98.2%)
98.1 per cent of respondents would recommend us.

High standards of facilities and fleet

99.9% (2012: 99.8%)
99.9 per cent thought our premises were clean and tidy.

99.8% (2012: 99.8%)
99.8 per cent thought our vehicles were clean and comfortable.

Quality of service and care

99.9% (2012: 99.9%)
99.9 per cent thought our staff were respectful.

99.7% (2012: 99.7%)
99.7 per cent thought our staff listened to their needs and wishes.

99.2% (2012: 99.3%)
99.2 per cent agreed that our staff were compassionate and caring.

In the detail

99.2% (2012: 99.3%)
99.2 per cent of clients agreed that our staff had fully explained what would happen before and during the funeral.

98.9% (2012: 98.9%)
98.9 per cent said that the funeral service took place on time.

98.7% (2012: 98.8%)
98.7 per cent said that the final invoice matched the estimate provided.

Our summary performance in 2013

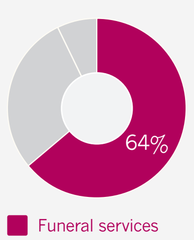
The Group has performed strongly in 2013. Revenue has increased 12 per cent, underlying operating profits have increased 13 per cent and underlying earnings per share have increased 15 per cent. We continued to make good progress across all our operations.

Find out more about our Group financial performance: p.28 to p.31

Operational and Financial Summary

Funeral services

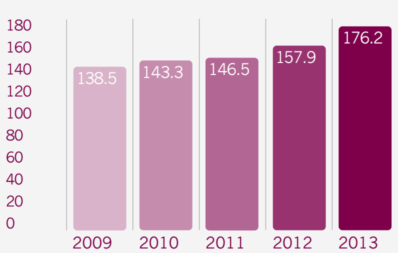
Group operating profits share (%)



+12%

Revenue up 12% to £176.2 million

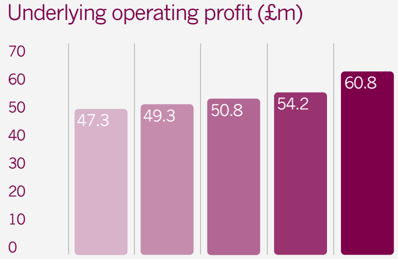
Revenue (£m)



+12%

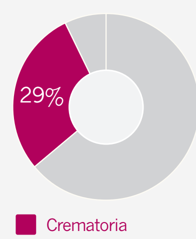
Underlying operating profit up 12% to £60.8 million

Underlying operating profit (£m)



Crematoria

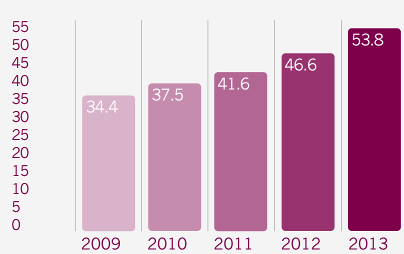
Group operating profits share (%)



+15%

Revenue up 15% to £53.8 million

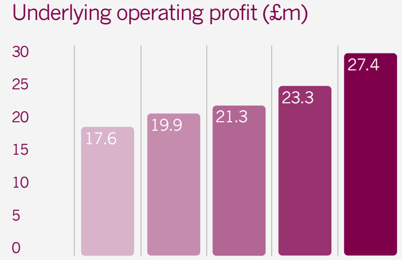
Revenue (£m)



+18%

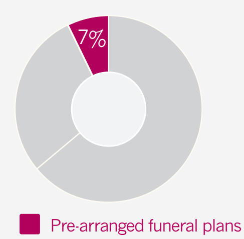
Underlying operating profit up 18% to £27.4 million

Underlying operating profit (£m)



Pre-arranged funeral plans

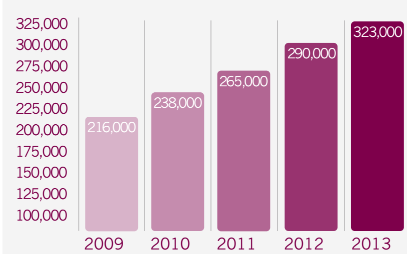
Group operating profits share (%)



323,000

Total unfulfilled pre-arranged funeral plans increased to 323,000

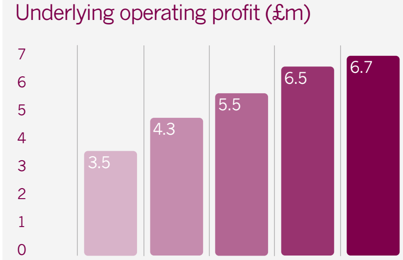
Total number of unfulfilled plans



+3%

Underlying operating profit up 3% to £6.7 million

Underlying operating profit (£m)



A year of continued progress and investment across our operations

Key Features

The Yew Acquisition

The acquisition of 40 funeral locations and two crematoria for £58.3 million was the largest single acquisition for the Group since flotation.

Detailed planning prior to acquisition ensured operational control was taken with the minimum of disruption to staff and families.

£1.6 million has been invested in the locations and associated fleet in 2013. Further investment of £2.0 million – £2.5 million is planned in 2014. This, together with working closely with the committed staff will help to provide families with an even greater level of service than in previous years from those locations.

Find out more about the integration of Yew and other key actions and progress in Funeral services: p.22 and p.23

Developments in our Crematoria portfolio

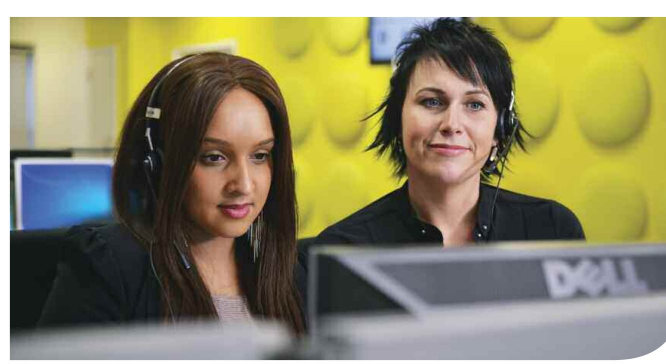
Continued investment in new memorial stock, the properties and training of staff has shown benefits in 2013.

Find out more about developments in Crematoria: p.24 and p.25

No.1 for client service

2013 was another record year for the Group's customer service centre, winning first prize in the 'Top 50 Call Centres for Customer Service' awards for a second consecutive year.

Find out more about our achievement in excellent client service and other actions and progress in Pre-arranged funeral plans: p.24, p.26 and p.27



Operating review

Service excellence

Our client surveys remain a crucial tool for monitoring and maintaining our excellent levels of client service.

"Continued investment is critical to maintaining our high standards of care.

Andrew Davies
Operations Director

Key points

£60.8 million
The funeral division contributed £60.8 million of operating profits in the period.

690 locations
The Group's national coverage is achieved through 690 locations.

£12.5 million
£12.5 million has been invested in capital expenditure across the funeral portfolio.

11.9%
The Group's market share is now 11.9 per cent following the Yew Acquisition.

Introduction

As a result of the acquisition of Yew in the period, which made a material contribution to operating profits, commentary on the Group's operating performance will consider activity excluding acquisitions as well as overall performance in order to provide a fair and balanced review of the Group's activities in the period.

Funeral services

Overview

Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Performance

As at 27 December 2013, the Group operated a network of 690 (2012: 636) funeral locations throughout the United Kingdom, generally trading under local established names. During the period, the Group conducted 68,000 funerals (2012: 63,200), with approximately 5,500 of these arising from acquisitions in the period.

Approximately two per cent of all funerals were conducted in Northern Ireland. Excluding Northern Ireland, these funerals represent approximately 11.9 per cent (2012: 11.2 per cent) of total estimated deaths in Britain and 11 per cent excluding current year acquisitions. Whilst funerals divided by estimated deaths is a reasonable measure of our market share, the Group does not have a complete national presence consequently, this calculation can only ever be an estimate.

Underlying operating profits were £60.8 million (2012: £54.2 million), an increase of 12 per cent. Excluding acquisitions, operating profits increased six per cent to £57.7 million.

This strong underlying performance has been achieved through successful execution of our strategy, with the number of deaths versus the prior year assisting overall performance. Average incomes per funeral increased and remained robust, with no discernable reduction in discretionary spending.

The Yew funeral locations have performed well and in line with expectations at the time of acquisition.

Progress and Developments

Investment in the core portfolio

Significant cash resources continue to be used to maintain the Group's locations and fleet. In 2013, £10.9 million was invested in maintenance capital expenditure. In addition, £1.6 million was invested in the Yew portfolio.

We believe this investment in client facing areas and behind the scenes is critical in ensuring the greatest care possible can be given to a family's loved one.

Funeral location portfolio

The Group's funeral location portfolio increased significantly in the period following the Yew Acquisition, which added 40 locations. In addition, there were 12 new satellite locations, together with five locations from other acquisitions and three closures.

In the last four years we have opened 74 satellite locations. Collectively these locations made a small profit in 2013, in line with the Board's expectations.

Outlook

The funeral division has performed strongly in the year and with the Yew Acquisition, further focus on satellite locations and a strong core portfolio, is well placed for the future.

1 2
3

1. John Ward & Son in Daventry, relocated to new premises during the period.

2. Angie Goodfellow, Funeral Manager, Northamptonshire.

3. E Hurton & Son in Retford was substantially refurbished following the Yew Acquisition.

Actions and progress

£10.9 million of capital investment has been made in the period to maintain the high quality of the locations and fleet.

Customer service remains at very high levels and the Group remains focused on maintaining this.

In focus

The integration of Yew

As explained to shareholders at the time of acquisition, the integration of the Yew Holdings locations not only meant transferring them to the Group's operating systems and policies, but also required capital investment. £1.6 million has been invested to date with a further £2 million – £2.5 million expected to be invested in 2014.

We believe this investment in client facing areas and behind the scenes is critical in ensuring the greatest care possible can be given to a family's loved one.

Right: Ann Kitto, Funeral Manager at B Bernard & Sons in Scarborough, one of 40 locations acquired as part of the Yew Acquisition in January 2013.

Operating review continued

Serving local communities

Memorial services are held at our crematoria to help the local communities remember their loved ones.

"We continue to explore ways to increase the number of crematoria we operate.

Steve Gant
General Manager, Crematoria

Key points

39 crematoria

Dignity remains the largest single operator of crematoria in Britain, operating 39 crematoria.

£2.0 million

The portfolio changes in the year represents an investment of £2.0 million.

2 locations

The Group has acquired two crematoria in the period.

Crematoria

Overview

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Group's crematoria and cemeteries.

Performance

The Group remains the largest single operator of crematoria in Britain, operating 39 (2012: 37) crematoria as at 27 December 2013. The Group performed 55,500 cremations (2012: 50,500) in the period, representing 9.9 per cent (2012: 9.2 per cent) of total estimated deaths in Britain.

Operating profits were £27.4 million (2012: £23.3 million), an increase of 18 per cent. Excluding the Yew Acquisition, operating profits increased 13 per cent to £26.4 million.

Whilst the division has benefited from the increase in the number of deaths, good memorial sales, cost control and the maturing profile of recently opened locations have contributed to the success in the period.

Progress and Developments

Investment of £2.0 million has been made in the year at two locations that were recently acquired from local authorities as part of arrangements to improve their facilities. A further £1 million is expected to be incurred in 2014 to complete these projects. The Group has also invested £1.7 million in its existing locations in the period.

The Group is negotiating options over a number of pieces of land where the potential for a crematorium exists. Whilst development of these is not expected to be successful in all cases, they represent a potential opportunity to create new facilities in areas that are deficient at present, whilst representing a potential opportunity to enhance shareholder value. One such option relates to land near Aylesbury. A planning application for the site has recently been rejected and the Group is currently considering its options. The Group is also awaiting the results of a planning application in Peterlee.

Outlook

The Group continues to identify further locations suitable for new crematoria and is also continuing to seek partnerships with local authorities. Progress on this is expected to be slow, albeit this supports the relative robustness and value of the Group's existing locations.

Pre-arranged funeral plans

Overview

Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements and the marketing and administration costs associated with making such sales. The Group continues to have a strong market presence in this area. These plans represent potential future incremental business for the funeral division, as the Group expects to perform the majority of these funerals.

Performance

Operating performance in the period has been strong, with operating profits of £6.7 million (2012: £6.5 million). In recent years, the Group has received monies from the trusts, in line with the relevant trust's deed, which have been assessed by the trustees as not required to ensure the trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). As highlighted in previous announcements, the Group has not received any Recoveries from its pre-arranged funeral plan trusts in 2013 (2012: £1.5 million).

Excluding Recoveries, operating profits have increased 34 per cent. This improvement reflects very focused, cost efficient marketing combined with a small change in the relative sales volumes of each affinity partner together with incremental sales volumes arising from sales made through the Yew locations.

In overall terms, approximately 39,000 new plan sales were made and the number of unfulfilled pre-arranged funeral plans increased to 323,000 (2012: 290,000) as at 27 December 2013.

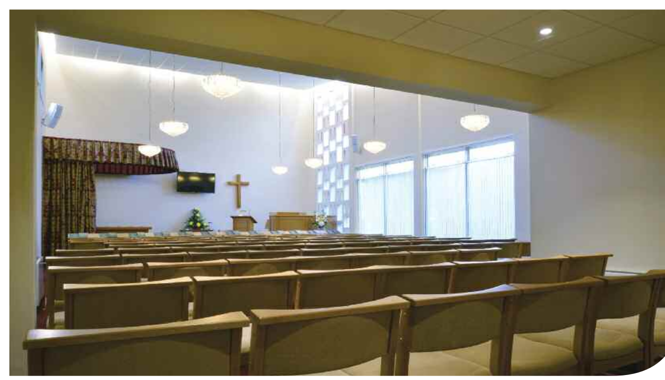
1. Haltemprice Crematorium was acquired as part of the Yew Acquisition in January 2013.

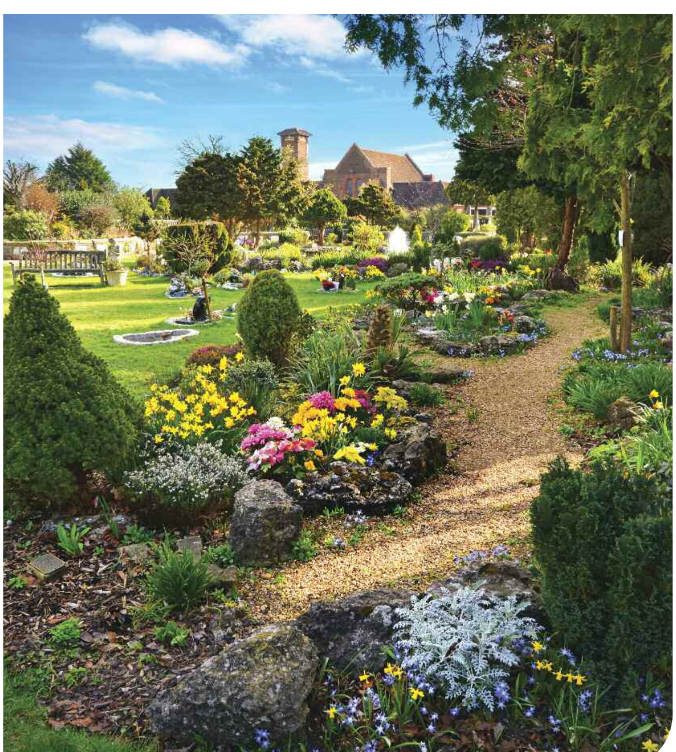
2. Steve Wilkinson, Commercial Accountant and Ciaran Nolan, National Acquisitions Manager, help to identify locations for new crematoria.

3. The Group has significantly invested in Weston-super-Mare Crematorium.

Actions and progress

Work has continued throughout the year to further develop our staff and improve the grounds for our families to use to spend time remembering their loved ones.





In focus

Enfield Crematorium, Haringey developments

Investment has been made in the crematorium and grounds at Enfield, which was taken over in 2012 from Haringey Council, resulting in modern, welcoming facilities for our clients, including a new waiting room and audio visual capabilities.

Behind the scenes, the cremators have been replaced and new mercury abatement equipment installed. This has represented a total investment of £1.3 million to date.

Left: Investment in Enfield Crematorium, Haringey has resulted in improvements to the grounds and modern, welcoming facilities.

Operating review continued

A trusted partner

Various partners, such as Age UK, trust us enough to associate their brand and introduce their customers to our products.

"Pre-arranged funeral plans represent significant amounts of potential future business for the Group.

Steve Wallis
General Manager, Pre-arrangement

Key points

323,000

There were 323,000 unfulfilled pre-arranged funeral plans at the end of the period. This reflects strong sales through the Group's affinity partners and funeral locations.

39,000

Focused marketing activity has resulted in approximately 39,000 new funeral plan sales in the period.

Whilst the contribution to this year's operating profit from the marketing activity is reported at the time of sale, it is important to recognise that the sales made represent approximately £100 million of future business to be performed by the funeral division. These revenues will potentially be recognised when the funeral is performed.

As with all the Group's operating profits, pre-arranged funeral plan profits convert efficiently into cash.

Progress and Developments

The increase in the number of unfulfilled plans includes approximately 9,000 from the acquisition of Yew. Approximately two thirds of these should be performed by the Group.

The Group has continued to work hard at developing its portfolio of affinity partners and has formed a number of new partnerships in the period with organisations in the retail and financial services arena with further trials expected in 2014.

For the second year running, the Group's customer service centre, based at its head office in Sutton Coldfield, gained first prize in the annual 'Top 50 Call Centres for Customer Service' awards. This means the team have now been in the top five for the last five years, a unique outstanding achievement and direct, independent evidence of the quality of service the Group provides.

The financial position of the independent trusts holding members' monies is crucial, given the Group ultimately guarantees the promises made to members. At the end of 2013, the Trusts held over £0.5 billion of assets. The latest actuarial valuations of the pre-arranged funeral plan trusts (at 27 September 2013) showed them to have sufficient assets to pay out all funerals at the current projected rates anticipated by the actuary. The Trustees, the majority of whom are independent of the Group, are currently midway through a review of the Trust's investment strategy on which they are taking independent investment advice.

Whilst the Trustees may seek the views of the Group, any investment decision is ultimately their view. It is expected that the review will result in a broader range of asset classes being held in the future. The objective will be to generate additional investment returns in the long-term for a similar level of risk.

Outlook

Opportunities for growth continue through the development of existing relationships and the creation of new ones.

Central overheads

Overview

Central overheads relate to central services that are not specifically attributed to a particular operating division. These include the provision of IT, finance, personnel and Directors' emoluments. In addition and consistent with previous periods, the Group records the costs of incentive bonus arrangements, such as Long-Term Incentive Plans ('LTIPs') and annual performance bonuses, which are provided to over 100 managers working across the business.

Developments

Costs in the period were £16.5 million (2012: £14.6 million), an increase of 13 per cent.

This increase reflects general cost increases, increased head count, legal advice to protect the Group's main trademarks and the costs of incentive arrangements for the whole Group.

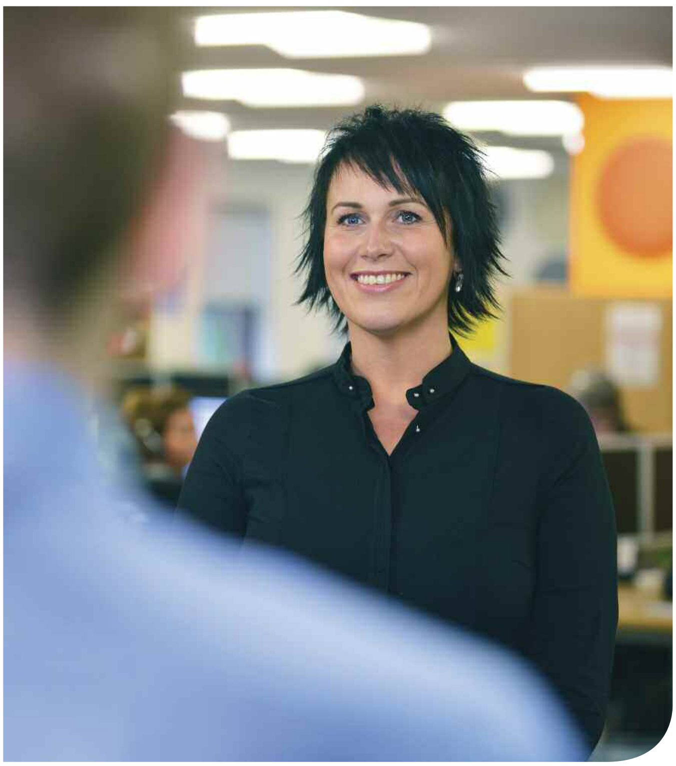
Outlook

Further investment in central resources is expected in 2014. This will be focused around support for the greater use of technology in locations. Investment is also being made in additional personnel resource. This will help to release operational managers from some of the complexities and burdens of recent legislation, allowing them to focus more on maintaining the high quality of service to families.

1. Chris Sykes, Funeral Manager at Dignity's new branch in Skipton.

2. Sally Harvey, Client Services Manager and Menna Styles, Client Liaison Officer.

3. All staff in the Client Service Centre receive extensive training. Nathalie Brown, Client Service Advisor; Annette Smith, Trainer; Craig Harvey, Client Service Advisor and Julie Smith, Senior Performance Manager.



In focus

No. 1 for customer service

Over the past year, our client service centre has been working hard to sustain its reputation as one of the top call centres in the UK. For the second consecutive year, Dignity was voted No. 1 in the 'Top 50 Call Centres for Customer Service' awards. The awards are the largest benchmarking for customer service within UK businesses and they recognise the most outstanding business leaders in customer service.

We are very proud of this outstanding achievement and this award is further testament to the high quality of service provided to our customers. It binds our values and demonstrates our relentless focus on service excellence. We continue to strive to set the highest standards and exceed levels of service to both existing and new customers.

Left: Julie Smith, Senior Performance Manager, in Dignity's award winning Client Service Centre in Sutton Coldfield.

Actions and progress

It is a testament to the quality of our service that Dignity Funeral Plans are the preferred product for some of the UKs most highly respected companies in the retail and financial services arena. These include Age UK, RIAS, Liverpool Victoria, Legal & General and Skipton Building Society. They trust us to provide great quality and service.

Financial review

A strong financial performance

Steve Whittern, Finance Director

> The Group continues to maintain an efficient capital structure.

Key points

- Underlying earnings per share have increased 15 per cent.
- Funding for the Yew Acquisition was well supported.
- £61.9 million returned to shareholders.

See Our strategy and business model: p.08 and p.09

See KPIs: p.18

See Principal risks and uncertainties: p.32 and p.33

Introduction

These financial results have been prepared in accordance with International Financial Reporting Standards ('IFRSs').

Financial highlights

The Group's financial performance is summarised below:

	52 week period ended 27 Dec 2013	52 week period ended 28 Dec 2012	Increase %
Revenue (£million)	**256.7**	229.6	12
Underlying operating profit[(a)] (£million)	**78.4**	69.4	13
Underlying profit before tax[(a)] (£million)	**52.9**	46.1	15
Underlying earnings per share[(a)] (pence)	**72.1**	62.8	15
Cash generated from operations (£million)	**94.2**	83.3	13
Operating profit (£million)	**75.1**	68.7	9
Profit before tax (£million)	**49.6**	45.4	9
Basic earnings per share (pence)	**72.8**	65.1	12
Dividends paid in the period:			
Interim dividend (pence)	**–**	5.36	n/a
Final dividend (pence)	**10.75**	9.77	10
Return of Cash (£million)	**61.9**	–	n/a

(a) Underlying amounts exclude profit (or loss) on sale of fixed assets, external transaction costs and exceptional items.

The Board has proposed a dividend of 11.83 pence per Ordinary Share as a final distribution of profits relating to 2013 to be paid on 27 June 2014, subject to shareholder approval.

Underlying reporting measures

The Board believes that whilst statutory reporting measures provide a useful indication of the financial performance of the Group, additional insight is gained by excluding certain non-recurring or non-trading transactions. Accordingly, the following information is presented to aid understanding of the performance of the Group:

	52 week period ended 27 Dec 2013 £m	52 week period ended 28 Dec 2012 £m
Operating profit for the period as reported	**75.1**	68.7
Deduct the effects of:		
Loss/(profit) on sale of fixed assets	**0.1**	(0.1)
External transaction costs	**3.2**	0.8
Underlying operating profit	**78.4**	69.4
Net finance costs	**(25.5)**	(23.3)
Underlying profit before tax	**52.9**	46.1
Tax charge on underlying profit before tax[(b)]	**(12.9)**	(11.7)
Underlying profit after tax	**40.0**	34.4
Weighted average number of Ordinary Shares in issue during the period (million)	**55.5**	54.8
Underlying EPS (pence)	**72.1p**	62.8p
Increase in Underlying EPS (per cent)	**15%**	14%

(b) Excludes exceptional tax credit of £3.5 million (2012: £2.0 million).

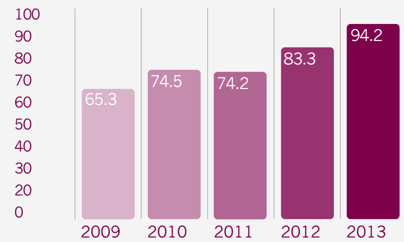
Earnings per share

The Group's earnings were £40.4 million (2012: £35.7 million). Basic earnings per share were 72.8 pence per share (2012: 65.1 pence per share).

The Group's measures of underlying performance exclude the effect (after tax) of the profit (or loss) on sale of fixed assets, external transaction costs and exceptional items. Consequently, underlying profit after tax was £40.0 million (2012: £34.4 million), giving underlying earnings per share of 72.1 pence per share (2012: 62.8 pence per share), an increase of 15 per cent.

This growth in excess of the growth in operating profits reflects the leveraging effect of the Group's capital structure as well as some benefit from the reduction in headline Corporation Tax rates.

Cash generation (£million)



£94.2 million

Cash generation remains efficient.

External transaction costs include amounts paid to external parties for legal, tax and other advice in respect of the Group's acquisitions and in respect of the issue of Secured Notes and Return of Cash to shareholders, where accounting standards require these costs to be expensed as incurred. As a result of the Yew Acquisition and the issue of Secured Notes, these costs are significantly higher than in previous years.

Cash flow and cash balances

Cash generated from operations was £94.2 million (2012: £83.3 million) before external transaction costs of £1.6 million (2012: £1.0 million) and exceptional contribution to the Group's pension scheme of £1.0 million (2012: nil). This reflects the Group's continued ability to convert profits into cash. Cash generation is stronger than the previous period as a result of the growth in operating profits. The Group continues to expect to convert its operating profits efficiently into cash.

Capital expenditure on property, plant and equipment was £18.2 million (2012: £20.4 million).

This is analysed as:

	27 Dec 2013 £m	28 Dec 2012 £m
Vehicle replacement programme and improvements to locations	**14.2**	11.8
Branch relocations	**1.1**	1.0
Satellite locations	**0.3**	1.3
Development of new crematoria	**2.0**	4.4
Mercury abatement project	**0.6**	1.9
Total property, plant and equipment	**18.2**	20.4
Partly funded by:		
Disposal proceeds	**(0.6)**	(0.8)
Net capital expenditure	**17.6**	19.6

In addition, the Group spent £60.7 million on the acquisition of 45 funeral locations and two crematoria.

Capital expenditure on mercury abatement represents the monies incurred to complete related civil works. The total spent to date is £7.3 million, which completes the project.

The Group also paid dividends on Ordinary Shares totalling £6.2 million (2012: £8.3 million) in the period. This is lower than the prior year, as the Return of Cash in August incorporated the interim dividend that would have been paid in October.

Cash balances at the end of the period were £142.3 million (2012: £55.6 million). The Group had £20.3 million (2012: £16.1 million) of cash that was, under the terms of the Group's securitisation, held in a separate account and used to pay amounts falling due on the Group's Secured Notes on 31 December 2013 (2012: 31 December 2012). In the prior year, the Group also had Recoveries of £1.5 million that were also restricted under the securitisation for one year following receipt. These amounts totalling £20.3 million (2012: £17.6 million) do not therefore meet the definition of cash for cash flow reporting purposes. A further £63 million (2012: £nil) relating to the cash collateralisation of the Group's Liquidity Facility does not meet the definition of cash, as explained later in this Financial review.

Approximately £24.1 million of the remaining cash balance was immediately available for acquisitions and developments and approximately £24.8 million was set aside for future Corporation Tax and dividend payments.

Further details and analysis of the Group's cash balances are included in note 15 to the consolidated financial statements.

Pensions

The balance sheet shows a deficit of £1.0 million before deferred tax (2012: surplus £0.1 million). This reflects the continued low gilt yield and thus the discount rate used by the actuary to calculate the liabilities at the year end.

During the year, the Group consulted staff and closed the defined benefit pension scheme to new entrants. It also increased employee contributions to 10 per cent, with the Group contributing the same amount.

This coincided with the Group's implementation of auto enrolment. A defined contribution scheme has been used, with both the employee and employer contributing four per cent of pensionable pay. Approximately two in every three members of staff that were eligible have remained in the auto enrolment scheme, resulting in an incremental annual cash cost to the Group of approximately £0.8 million.

13%

Underlying operating profits have increased 13 per cent to £78.4 million.

72.1 pence

Underlying earnings per share have increased to 72.1 pence per Ordinary Share.

Financial review continued

£14.2 million

£14.2 million has been invested in maintaining our property and fleet portfolio.

£61.9 million

£61.9 million returned to shareholders.

Taxation

The Group's effective tax rate in the period was 24.5 per cent (excluding the exceptional rate change) (2012: 25.5 per cent). Following the Government's announcement to reduce the rate of Corporation Tax in future years, the Group expects its effective rate in 2014 to be approximately 22.5 per cent.

The Group's consolidated income statement includes exceptional income of £3.5 million which reflects the Chancellor's reduction in future headline Corporation Tax rates from 23 per cent to 20 per cent.

The Group's cash tax payments were £10.9 million (2012: £8.6 million) in the period. This increase follows the increasing profitability of the Group and also reflects the comparative period's cash cost being lower because of claims to complete use of tax losses, as noted in earlier annual reports.

Capital structure and financing

Secured Notes

The Group's principal source of long-term debt financing is the Class A and B Secured Notes. They are rated A and BBB respectively by Standard and Poor's ('S&P') and A+ and BBB+ by Fitch.

The Board considers that maintaining a leveraged balance sheet is appropriate for the Group, given the highly stable and predictable nature of its cash flows. This predictability is matched in the Secured Notes. The principal amortises fully over their life and is scheduled to be repaid by 2031. The interest rate is fixed for the life of the Secured Notes and interest is calculated on the outstanding principal.

This has the benefit of enhancing shareholder returns, whilst leaving sufficient flexibility to invest in the growth of the business.

The Group's primary financial covenant under the Secured Notes requires EBITDA to total debt service to be above 1.5 times. The ratio at 27 December 2013 was 2.46 times (2012: 2.43 times), directly reflecting the improved profitability of the Group. Further details may be found in note 24.

Return of Value and share consolidation

On 30 July 2013, the Group completed a further issue of Secured Notes with a nominal amount of £75 million. This raised gross proceeds of £97.7 million. £33 million was used to repay the Group's term loan taken out in January 2013 to partly fund the acquisition of Yew. £1 million was paid into the Group's defined benefit pension scheme. £61.9 million was then returned to shareholders. Following this, the Ordinary Shares were consolidated on a 13 for 14 basis, maintaining the comparability of financial indicators such as the Group's share price. Both S&P and Fitch reaffirmed the ratings of the Notes as part of the transaction. This represents the third releveraging of the Group's capital structure, confirming the Group's commitment to an efficient balance sheet. Excluding normal dividends, the Group has now returned approximately £206 million to shareholders since flotation; approximately 112 per cent of its initial market capitalisation.

Ordinary Shares in issue

In January 2013, the Group issued 2,283,019 new Ordinary Shares, raising £24.2 million, which was used to partly fund the acquisition of Yew. This, followed by the issue of 395,825 Ordinary Shares to satisfy LTIP and SAYE vestings and the subsequent share consolidation, meant that the Group had 53,343,871 Ordinary Shares in issue at the balance sheet date.

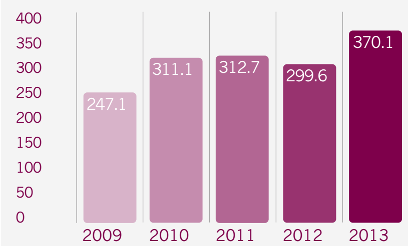
Liquidity Facility

The Group's Secured Notes are supported by a Liquidity Facility provided by the Royal Bank of Scotland ('RBS'). This facility is designed to support the first 18 months of debt service due in the event of a default. Following the issue of Secured Notes in 2013, the facility was increased to £63 million. This is a committed facility for the life of the Notes and serves to support the rating ascribed by S&P and Fitch.

In late 2013, S&P downgraded certain RBS entities. As a result, this downgrade triggered a clause in the facility that gave the Group a 30 day period in which to force RBS to cash collateralise the facility by placing funds with the Bank of New York Mellon. If the Group did not take this action within this period, then no cash collateralisation could be forced on RBS in the future, even if they were downgraded further. The Group therefore enforced this right.

This does not have a material impact of the Group's net finance cost in 2014 and, whilst the cost of the facility in this cash collateralised state will increase over time, the Group is exploring ways to amend its terms within the next twelve months so that cash collateralisation is no longer necessary.

Net debt (£million)



£370.1 million

Periodically, the Group has used its stable cash flows to releverage its capital structure and return cash to shareholders.

If this action is not completed, then the Group would incur an incremental finance cost which would increase to £0.3 million in 2018.

Given the legalities of the facility and the restricted nature of the cash, accounting standards mean that the cash is shown on the Group's balance sheet as 'Cash and cash equivalents – collateralisation of Liquidity Facility' and the associated liability is shown as 'Financial liabilities – collateralisation of Liquidity Facility'.

Crematoria Acquisition Facility

At the balance sheet date, the Group owed £15.8 million on its Crematoria Acquisition Facility, having drawn the remaining £5.8 million in January to partly fund the Yew Acquisition. At that time, the facility was renegotiated and is now repayable in one amount in February 2018. Interest is fixed at approximately 3.3 per cent.

Other debt funding

In January 2013, the Group received a £34 million term loan to partly fund the Yew Acquisition. This was repaid in July following the issue of further Secured Notes.

Net debt

The Group's net debt is analysed as:

	27 Dec 2013 £m	28 Dec 2012 £m
Net amounts owing on Class A and B Secured Notes	**(310.0)**	(318.9)
Net amounts owing on Class A and B Secured Notes – issued 2013	**(93.0)**	–
Add: unamortised issue costs	**(13.0)**	(14.6)
Add: unamortised issue costs – issued 2013	**(3.3)**	–
Gross amounts owing on all Class A and B Secured Notes	**(419.3)**	(333.5)
Net amounts owing on Crematoria Acquisition Facility	**(15.6)**	(10.0)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	–
Gross amounts owing	**(435.1)**	(343.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	(11.6)
Accrued interest on Class A and B Secured Notes – issued 2013	**(2.7)**	–
Accrued interest on Crematoria Acquisition Facility	**–**	(0.1)
Cash and cash equivalents (1)	**79.3**	55.6
Net debt	**(370.1)**	(299.6)

(1) Cash held as collateral for the Liquidity Facility has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further details.

The Group's gross debt outstanding was £435.1 million (2012: £343.5 million). Net debt was £370.1 million (2012: £299.6 million), including the premia on the Secured Notes. The increase in gross debt reflects the issue of Further Secured Notes partly offset by the amortisation profile of the Existing Secured Notes and associated premia. Gross debt includes £5.7 million (2012: £4.2 million) that was repaid on 31 December 2013.

The balance sheet includes £419.3 million of gross amounts owing on all Secured Notes. At the balance sheet date, the market value of the Secured Notes was £475.2 million.

Net finance costs

The Group's finance expense substantially consists of the interest on the Class A and B Secured Notes and ancillary instruments. The net finance cost in the period relating to these instruments was £23.6 million (2012: £22.7 million).

Finance costs of £0.6 million (2012: £0.5 million) were incurred in respect of the Crematoria Acquisition Facility, with a further £0.7 million incurred for other debt funding described above.

Other ongoing finance costs incurred in the period amounted to £1.1 million (2012: £0.7 million), including the unwinding of discounts on the Group's provisions, other financial liabilities net of interest capitalised in accordance with IAS 23.

Interest receivable on bank deposits was £0.5 million (2012: £0.4 million). Net finance income of £nil million (2012: £0.2 million) was recognised in respect of the Group's pension scheme in accordance with IAS 19.

Forward-looking statements

Certain statements in this Annual Report are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Outlook

- The Group does not have an obligatory refinancing event until 2018.
- The Group is exploring ways to amend the terms of the Liquidity Facility.

See KPIs: p.18

Principal risks and uncertainties

Effective risk management

How we align risks to strategy

Our principal risks and uncertainties focus on matters that could have a direct impact on our strategy and key priorities.

Our approach to risk management

This section highlights the principal risks affecting the Group, together with the key mitigating activities in place to manage those risks.

The Group manages the operational and financial risks described through a combination of regular Board reports and also monthly and weekly management information that is reviewed by the Executive Directors.

Risk process

Our risk process is designed to identify, evaluate and manage our operational and financial risks.

Risk governance

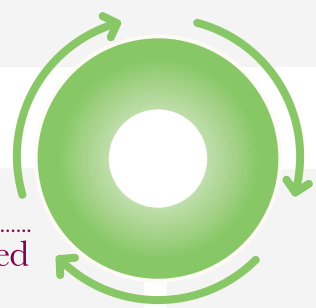
The full risk register is considered and readopted every six months by the Audit Committee.

Risk management process

Overall Board responsibilities

Risks and impact identified

- Risks mapped to controls currently in place
- Residual risks prioritised for mitigation
- Confirmed with the Board



Existing control enforced and tested

- Remedial action plans implemented
- Board member accountable

Controls identified

- Suggested action plans agreed
- Options for controls identified and costed
- Plans approved by the Board

Operational risk management	Risk description	Mitigating activities	Change
Significant reduction in the death rate	There is a risk that the number of deaths in any year significantly reduces. This would have a direct result on the financial performance of both the funeral and crematoria divisions.	The profile of deaths has historically followed a similar profile to that predicted by the ONS, giving the Group the ability to plan its business accordingly.	↔
Nationwide adverse publicity	Nationwide adverse publicity could result in a significant reduction in the number of funerals or cremations performed in any financial period. This would have a direct result on the financial performance of that division.	This risk is addressed by ensuring appropriate policies and procedures are in place, which are designed to ensure excellent client service. These policies and procedures retain flexibility for the business to serve families in accordance with local traditions.	↔
Ability to increase average revenues per funeral or cremation	Operating profit growth is in part attributable to the Group's ability to increase the average revenue per funeral or cremation. There can be no guarantee that future average revenues per funeral or cremation will be maintained or increased.	The Group believes that its focus on excellent client service helps to mitigate this risk.	↔
Significant reduction in market share	It is possible that other external factors, such as new competitors, could result in a significant reduction in market share within funeral or crematoria operations. This would have a direct result on the financial performance of those divisions.	The Group believes that this risk is mitigated for funeral operations by reputation and recommendation being a key driver to the choice of funeral director being used and for crematoria operations is mitigated by difficulties associated with building new crematoria.	↔
Demographic shifts in population	There can be no assurance that demographic shifts in population will not lead to a reduced demand for funeral services in areas where Dignity operates.	In such situations, Dignity would seek to follow the population shift.	↔
Competition	The UK funeral services market and crematoria market is currently very fragmented. There can be no assurance that there will not be further consolidation in the industry or that increased competition in the industry, whether in the form of intensified price competition, service competition, over capacity or otherwise, would not lead to an erosion of the Group's market share, average revenues or costs and consequently a reduction in its profitability.	There are barriers to entry in the funerals services market due to the importance of established local reputation and in the crematoria market due to the need to obtain planning approval for new crematoria and the cost of developing new crematoria.	↔
Taxes	There can be no assurance that changes will not be made to UK taxes, such as VAT. VAT is not currently chargeable on the majority of the Group's services. The introduction of such a tax could therefore significantly increase the cost to clients of the Group's services.	There are currently specific exemptions under European legislation for the UK on the VAT treatment of funerals. Any change would apply to the industry as a whole and not just the Group.	↔
Regulation of pre-arranged funeral plans	Pre-arranged funeral plans are not a regulated product, but are subject to a specific financial services exemption. Changes to the basis of any regulation could affect the Group's opportunity to sell pre-arranged funeral plans in the future.	Any changes would apply to the industry as a whole and not just the Group.	↔

Financial risk management	Risk description	Mitigating activities	Change
Financial Covenant under the Secured Notes	The Group's Secured Notes requires EBITDA to total debt service to be above 1.5 times. If this financial covenant is not achieved, then this may lead to an Event of Default under the terms of the Secured Notes, which could result in the Security Trustee taking control of the securitisation group on behalf of the Secured Noteholders. In addition, the Group is required to achieve a more stringent ratio of 1.85 times for the same test in order to be permitted to transfer excess cash from the securitisation group to Dignity plc. If this stricter test is not achieved, then the Group's ability to pay dividends would be impacted. The Group's releveraging in the period reduces headroom against these covenants.	The nature of the Group's debt means that the denominator is now fixed unless further Secured Notes are issued in the future. This means that the covenant headroom will change proportionately with changes in EBITDA.	↗

Key:

- Risk exposure increased ↗
- Risk exposure decreased ↘
- No significant change ↔

An assessment of the Group's exposures to financial risks and a description of how these risks are managed are included in note 2 to the consolidated financial statements.

Corporate and social responsibility

Managing a sustainable business

Richard Portman, Corporate Services Director

"We understand that how we take care of our reputation, our clients, our people and the environment as well as how we plan for the future needs of our business is of critical importance to our having a sustainable and ethical business.

What we believe in

- **What we are here to do:** To help people at one of the most difficult times in their lives.
- **How we do this:** With compassion, respect, openness and care.
- **What we want to be:** The company that everyone knows they can trust in their time of need.

See Delivering on our strategy: p.10 to p.17
See Client survey: p.19
See Governance: p.42 to p.70

Introduction

Conducting our business responsibly is one of our fundamental values and a key element of our business growth strategy. Behaving in an ethical manner, working safely, reducing our environmental impact, developing our people and contributing to the communities we serve enables us to create long-term value for our stakeholders.

We define our reporting in terms of our workplace, the environment and the communities of which we play an important part. We strive to improve the way that we perform, manage and report on corporate and social responsibility ('CSR') matters across all aspects of our business. Within Dignity, Corporate Services Director, Richard Portman, is accountable for CSR and under this remit identifies major issues and reports these to his fellow Board members.

Governance and sustainability

The governing principles of Dignity are that we are here to help people at one of the most difficult times of their lives and we do this with compassion, respect, openness and care. Our objective is to be the company that everyone knows they can trust in their time of need.

Our values, which are enshrined in our governing principles, are a fundamental part of our culture. By living these values, we ensure that we operate in a responsible way and that we aim to deliver the excellent service upon which our business depends.

The flat management structure of Dignity means that local management are empowered to make decisions that provide quick and effective solutions to the needs of their clients, businesses and the communities they serve. Only four per cent of our employees are based at our head office in Sutton Coldfield where they perform such necessary business tasks as Finance, IT and Human Resources. This approach demonstrates our commitment to providing staff in locations where they can directly help and support our clients.

Business integrity and ethics

We make our clients feel confident in us so that they are reassured they are being served by responsible individuals working for a responsible company.

Dignity has been identified by the FTSE Group in its FTSE4Good initiative as a company that is working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights.

We build trust and respect with everyone touched by our business operations – our clients, our colleagues, our suppliers, trade associations, local authorities and members of the communities we serve. Everyone at Dignity is encouraged to understand that at all times they are an ambassador for the Company and that the future success of the business depends on its reputation.

Our Code of Conduct ensures that staff are aware of the principles that govern how we operate in the business environment and explains the standards of behaviour that all our employees are expected to adhere to.

The Code of Conduct states that all clients should be supported during the funeral arrangements, at the service or when choosing a memorial or funeral plan in a sensitive manner. We should be compassionate and caring; pay attention to detail; spend as much time as the client needs; be open and straightforward and keep in regular contact with the client.

Our CSR approach

We strive to improve the way that we perform, manage and report on CSR matters across all aspects of our business.

Our CSR commitments	Objectives	Performance summary
People development We value our people and understand, respect and value personal and cultural differences. Dignity is committed to high standards of employment practice and aims to encourage, retain and develop successful employees. See Our People: p.36 to p.38	• To ensure our staff have the skills to be able to meet and exceed our clients' expectations. • To train and develop our staff to the very highest standards, enabling them to fulfil their potential. • To develop and retain our people enabling us to improve our operations and the quality of service we provide to our clients.	• Dignity reviews employment applications and appointments to ensure that we comply with all employment legislation. • A record is kept of training courses attended by each employee and this is analysed to help develop future training requirements.
Health & safety Our business is conducted in such a way as to ensure as far as is reasonably practical, the health, safety and welfare of all our employees and all persons who may be attending our premises. See Health & Safety: p.39	• To create a culture of workplace safety so that our staff understand and abide by legislation and guidelines ensuring their own health and safety and that of their colleagues and clients. • To maintain our physical assets and minimise the risk of injury to help us preserve the integrity of our operations.	• Health and safety is proactively monitored via quarterly return analysis, premises inspections, health surveillance, line manager observations of how tasks are performed and regular reports to the Board. • Investigating accidents, collation and analysis of statistics and ill health investigation reactively monitors health and safety.
Environment We are committed to maintaining the quality of the environment in which we all live and we aim to reduce the impact of our operations so that we act in an environmentally friendly manner. See Our Environment: p.40	• To promote environmental issues and sustainability, seeking new initiatives that enable us to become more efficient, reduce operational costs and minimise the impact of our business activities on the environment.	• Dignity submits its carbon data to the Carbon Disclosure Project, a not for profit organisation that measures disclosures from thousands of organisations across the world's major economies.
Community engagement We are committed to making a difference to our clients and to improving the welfare of all who live in the communities we serve. See Our Communities: p.41	• To make a positive contribution to the local communities we serve. • To build closer relationships with the communities we serve, helping us to promote our business and gain a greater understanding of our clients' and communities needs.	• Improving the welfare of the communities we serve is embedded in our corporate culture and is enthusiastically supported by our staff. • All funds raised for our corporate charity are recorded in detail and deposited into a specific bank account. Any funds raised are allocated to the geographical region that generated them.



Corporate and social responsibility continued

The quality and integrity of our people

People development

What we focus on:

- Training and development.
- Recognising achievement.
- Promoting diversity.
- Employee engagement.

2013 Highlights

29%
29 per cent of Dignity staff have over 10 years service.

20%
20 per cent of the 28 senior managers within Dignity are female.

5 years
The average length of service for a Dignity employee is five years.

People and values

Our people principally come from the towns and cities they serve or from families that have been in the funeral profession for generations and are dedicated to delivering excellent client service.

We are committed to high standards of employment practice and aim to encourage, retain and develop successful employees. Our employees are critical to the continued success of Dignity and staff turnover is low.

As in previous years there continues to be an equal split of male and female staff. The Board of Directors has 20 per cent female representation and 20 per cent of senior managers are female.

Our culture

Our Code of Conduct is reinforced in a staff handbook, 'Helping our clients every step of the way', which is given to all new employees working in our funeral locations. The aim of the brochure is to embed all new employees into the Dignity culture and to remind existing members of staff of the standards of behaviour and attitudes that are expected of them. A similar brochure, 'Serving our communities' is provided to our staff working at our crematoria.

The Code of Conduct is also published on the Dignity plc investor website – www.dignityfuneralsplc.co.uk.

Managing, motivating and supporting our people

Whether it's at the start of a career through our training initiatives, a flexible job for working parents or carers, or a second or third career for someone later in life, we offer opportunities and support for people to fulfil their potential.

A detailed job description identifying key responsibilities and competencies for each role in addition to a personal specification for the ideal applicant have been developed to aid recruitment. These enable the interviewer to assess each candidate's suitability for the role to which they have applied. When interviewing for management positions, competency based interviews are held and candidates are expected to be able to clearly demonstrate their experience and expertise during the selection process.

Part of Dignity's growth has been through the careful acquisition of other funeral businesses. Upon acquisition, many proprietors continue to be involved in management or consultancy roles and Dignity provides support to all staff that join the Company as part of an acquisition to further improve the service they provide to clients.

Dignity provides additional support to staff development through its Welfare Trust, which provides funds for professional training and hardship grants. The Trust has approximately £1.6 million available for future use.

Performance, reward and recognition

Managing performance is critical to ensuring our people fulfil their potential and meet the needs of our clients. In a competitive marketplace we recognise the importance of financially rewarding employees appropriately for the value they bring to the business.

In 2013, we encouraged our staff to participate again in our SAYE scheme and potentially benefit from the Company's success.

Dignity has rewarded its loyal staff with long service awards totalling approximately £0.2 million in 2013.

In focus

Training and development initiatives

During 2013, Dignity's Training Department has delivered a management development programme for junior managers to provide them with the skills to manage our business in an effective and sustainable manner.

This programme includes courses on Financial Analysis, so that managers understand how to read and understand management accounts; People Management including leadership, motivation, recruitment, development and communicating with your team; Managing Meetings at Work; Problem Solving; Presentation Skills and The Importance of Being Client Focused.

Our Training Department has also continued to deliver courses that provide our people with the skills they require to maintain the exceptionally high standards of customer service we deliver and to ensure that our rigorous procedures are followed in all branches.

Left: Jonte Thomson, one of Dignity's Training Managers that delivered the management development programme.

1 | 2 | 3

1. Elizabeth Murray Bruce, Administrator, Enfield Crematorium, Haringey.

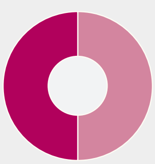
2. Lisa Farley, Branch Support Administrator and Pauline Bourke, Funeral Service Arranger, Droitwich Spa Funeral Services.

3. Angie Goodfellow, Funeral Manager, Northamptonshire.

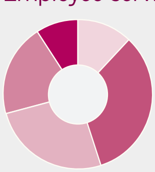
Corporate and social responsibility continued

Senior managers (%)

Employee ratio (%)



Employee service



Employee engagement

To achieve our business objectives we need engaged employees dedicated to our vision and values.

Dignity publishes a quarterly in house magazine, 'Dignity Express', to enable the Group's Directors, managers and employees to communicate objectives, explain financial performance, client satisfaction results and share best practice and news in a cost effective manner. 'Dignity Express' is supplemented by monthly news bulletins to keep all employees informed of what is happening within the organisation.

Staff are encouraged to discuss suggestions and ideas with their line managers.

Training and development

Dignity's investment in training enables our staff to provide our clients with the highest standards of service and care.

Dignity has a number of training centres around the UK and provides employees with both in house and external training programmes. External training includes both relevant job training and tutoring for professional qualifications including the National Association of Funeral Directors ('NAFD') Diploma in Funeral Directing and Membership of the British Institute of Embalming.

The courses provided by our Training Department are assessed via feedback from delegates and line managers with a view to guaranteeing that they are relevant and add value to the contribution made by each employee.

Our on the job training concentrates on a "buddy" system where an experienced member of the team provides new operational staff with guidance on the responsibilities of their role, our professional practices and company procedures in addition to demonstrating our commitment to being a client focused organisation.

Promoting diversity

Dignity businesses recruit their people from the communities they serve and we are successful in understanding the needs of our clients because our employees reflect the diversity of that community.

Within Dignity there is no discrimination on the grounds of gender, race, religion, age or sexual orientation in terms of recruitment or career advancement. We encourage colleagues to show respect and understanding to each other and prejudice of any kind will not be tolerated.

Objectives for 2014

- To reward and retain successful employees;
- To ensure that all our people are aware of the principles that govern how we operate and the standards of behaviour they are expected to adhere to;
- To analyse training records to develop future training requirements; and
- To ensure that courses provided by our internal Training Department and on the job training provides our people with the necessary skills to meet our client's needs and expectations.

Health and Safety continues to be a key priority

Health & Safety

What we focus on:

- Ensuring safety.
- Proactive management.
- Employee welfare.
- Occupational safety.

2013 Highlights

360

360 members of staff have now completed a health and safety course.

200

There are now 200 health and safety co-ordinators embedded across the business.

17%

There has been a 17 per cent reduction in the number of accidents reported on Dignity premises over the last five years.

Health & Safety management

Effective health and safety management continues to be vital to Dignity and a key priority of the Directors. We are committed to protecting, as far as is reasonable, the health, safety and welfare of all our employees and all persons who may be attending our premises.

Dignity has a full time Health and Safety Manager who is dedicated to these issues and is supported by eight Health & Safety Officers.

This network of Regional Health & Safety Officers cover our funeral trading regions. Dignity's head office, crematoria and manufacturing facility also have their own manager with responsibility for Health and Safety. The majority of these managers and officers have qualifications from the National Examination Board in Occupational Safety and Health ('NEBOSH').

What we achieved in 2013

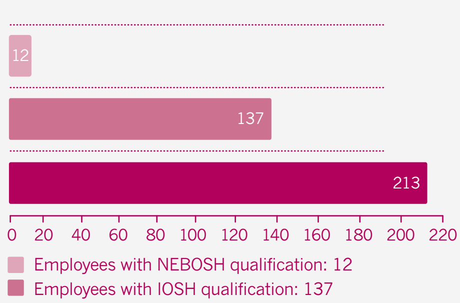
Dignity has 12 managers with qualifications from NEBOSH. Within this group there are also nine that possess the NEBOSH Fire Certificate.

Dignity also has 137 managers or officers that have successfully completed the Institution of Occupational Safety and Health ('IOSH') course.

There are also 213 employees that have completed the Chartered Institute of Environmental Health ('CIEH') Working Safely one day course.

The number of accidents reported has been reduced by 17 per cent over the last five years. During 2013, Dignity's manufacturing facility in East Yorkshire began working towards ISO18001 Occupational Health & Safety & Environment accreditation.

Health & safety training (number)



Case study

Health & Safety initiative

The combined weight of a deceased and a coffin has frequently been reported in local and national media as a significant issue at the time of a funeral as it occasionally presents unfortunate challenges with regard to where the funeral service can take place e.g. maximum capacity permitted at a particular crematorium.

From a funeral directing perspective, knowledge of such aspects allows Dignity to advise clients appropriately on the options available at their time of need. In addition, it allows us to allocate the necessary resources to each funeral in terms of equipment and employees.

The manual handling regulations stipulate that knowledge of the weight to be lifted is intrinsic to the risk assessment process. Dignity are in the process of installing electronic weighing machines with a view to assisting our high levels of service to clients combined with ensuring compliance with our welfare obligations to employees.

Objectives for 2014

- To monitor health and safety proactively via quarterly return analysis, premises inspections, health surveillance, line manager observations of how tasks are performed and regular reports to the Board; and
- To monitor health and safety reactively by investigating accidents, collating and analysing statistics and ill health investigation.

Corporate and social responsibility continued

Committed to environmental sustainability

Environment

What we focus on:

- Reducing our carbon footprint.
- Reducing energy consumption.
- Promoting sustainable development.
- Minimising our environmental impact.

2013 Highlights

29,000

Approximately 29,000 cremations at Dignity crematoria were mercury abated during 2013.

899

Dignity now has 899 electricity smart meters installed in our premises to reduce our energy consumption.

5%

The data that Dignity submits to the Carbon Disclosure Project shows that the company has reduced its figure for metric tonnes of CO_2 equivalent by five per cent over the past five years.

See more about carbon reporting in the Directors' report: p.69

Environmental management

Everyone at Dignity is committed to maintaining the quality of the environment in which we all live. All areas of the business aim to operate in accordance with our environmental policy and use energy and natural resources efficiently. We recognise the impact of our operations on local surroundings and our aim is to reduce this and operate in an environmentally friendly manner.

What we achieved in 2013

Our business continues to have a low environmental impact and its activities are not expected to give rise to any significant environmental risk over the next 12 months.

Waste generated is properly disposed of in accordance with current legislation and steps are taken to recycle waste wherever this is practical. We are investing in energy efficient technology and Dignity has reduced its energy consumption by installing 899 smart meters at its premises. This figure represents 92 per cent of our target.

Approximately 29,000 cremations at Dignity crematoria were mercury abated during 2013, representing 52 per cent of the total number of cremations and a 61 per cent increase on the number of mercury abated cremations in 2012.

Dignity's coffin manufacturing facility in East Yorkshire has ISO14001 accreditation, an internationally accepted standard for an effective Environmental management system that is designed to address the balance between maintaining profitability and reducing environmental impact. Our coffins are manufactured using raw materials that are sourced from well managed and sustainable sources. 97 per cent of the coffins manufactured by Dignity are from Forest Stewardship Council ('FSC') accredited timber.

Dignity aims to reduce its future carbon footprint and in 2013 Dignity continued to submit its data to the Carbon Disclosure Project. This is a not for profit organisation that aims to improve the environment by measuring disclosures from thousands of organisations across the world's major economies.

Case study

Environmental initiative

In 2013, Dignity undertook an energy reduction project at its Business Centre in Walthamstow, London. These premises were traditionally one of the highest consumers of electricity in Dignity's property portfolio.

As part of this project environmentally friendly LED lighting was installed in addition to passive sensors that turn lights off automatically if it cannot detect that staff are present in that part of the building. The refrigeration system in the mortuary was also updated during 2013 and a control mechanism fitted to the heater in the garage area that automatically turns off the heating when the garage doors are opened.

These initiatives have seen a 50 per cent reduction of the premises electricity usage compared with 2012.

Objectives for 2014

- To continue to install LED lighting in our premises;
- To continue to install intelligent heating controls and energy management initiatives across the estate; and
- To develop an Environmental Awareness document for communication to all employees.

Making a positive difference in our local communities

1. Suzanne Tanner, Administrator at W J Winn in Cornwall who raised £1,800 for breast cancer charities with charity founder Nina Barough.

2. Kevin Banham, Regional Manager – Anglia and Jennie Myers, Funeral Director at L Fulcher in Bury St Edmunds at a fundraising Tea Party for Marie Curie Cancer Care.

3. Armistice Day Service at Heart of England Crematorium, Nuneaton.

4. Funeral Directors, Alex Thornhill and Gareth Wall of W S Harrison in Newcastle upon Tyne raised £1,200 for their local hospice.

Community engagement

A strong local focus

Building strong links with the communities in which we operate through local engagement and charitable giving enhance our reputation and enable us to give something back to the local communities we serve.

Dignity raised approximately £83,000 during 2013 for its corporate charity, Marie Curie Cancer Care through a variety of fund raising initiatives and sponsored events. Dignity also raised money for Marie Curie Cancer Care by taking part in their national campaigns such as The Great Daffodil Appeal, where branches sold the charity's lapel badges and The Blooming Great Tea Party where staff sold hot drinks, snacks and homemade cakes for a charitable donation.

To demonstrate our values and principles Dignity people have provided financial support to many local sports, music and social clubs; helped to restore a historic church and raised funds for many other national and regional charities.

£83,000

Dignity raised approximately £83,000 for its corporate charity, Marie Curie Cancer Care, in 2013.

2,000

Dignity staff around the UK took part in the Easter Egg Challenge and collected 2,000 chocolates to distribute to people in hospices, children's homes, hospital wards and local good causes.

> It is very rewarding to know we play an important role in the local communities we serve.

> As well as supporting our chosen corporate charity, Marie Curie Cancer Care, our staff devote their time to many local good causes and charities relevant to them and the areas in which they live and work.

To find out more about how we make a difference:
www.dignityfunerals.co.uk/community

Chairman's introduction to governance

"Good governance is taken seriously at all levels within the Group and it is the responsibility of the Board both to lead by example and set the tone.

Dear Shareholder,
I am pleased to present the Group's Corporate Governance Report for 2013 on behalf of our Board. Our report is intended to provide shareholders with a clear and comprehensive explanation of what good governance means and more particularly what it means to us as the Board of Dignity and by extension how it guides our decision making.

Good governance is taken seriously at all levels within the Group and it is the responsibility of the Board both to lead by example and set the tone. It means ensuring that an effective internal framework of systems and controls exists which includes clearly defined authorities and accountability which promotes success, whilst allowing risks to be managed to proper and appropriate levels. This involves the exercise of judgement which is the responsibility of the Board who give appropriate consideration to the views of shareholders and other stakeholders.

Our Report for 2013 explains Dignity's approach to Corporate Governance with separate reports being included from each of the Board Committees. We are reporting in line with the UK Corporate Governance Code (the 'Code') which was published in September 2012 and I am pleased to advise that Dignity has complied with all relevant provisions throughout the period ending 27 December 2013. This is explained in more detail in the following pages.

Lastly, I would like to advise that our first externally facilitated evaluation of the Board was completed in 2013. The outcome was very good and we received some useful feedback for improvement. This is discussed in more detail in the Directors' Statement on Corporate Governance on page 46. Suggestions made by the external facilitator are being implemented to ensure we continue to improve.

Peter Hindley
Chairman

5 March 2014

Compliance with the UK Corporate Governance Code
It is the Board's opinion the Group has been fully compliant with the Code throughout the 52 week period ending on 27 December 2013 and remained fully compliant at the date the Annual Report for 2013 was published.

Directors' Report
The Directors present their report for Dignity plc for the period ending 27 December 2013.

Corporate Governance
The Group is committed to high standards of corporate governance, details of which are given in this report and the following other reports from:

- The Audit Committee;
- The Nomination Committee; and
- The Remuneration Committee.

The various sections of this report contain summarised information from Dignity plc's Articles of Association (the 'Articles') and the Companies Act 2006 which is the applicable English law concerning companies. The relevant provisions of the Articles or the Companies Act should be consulted if more detailed information is needed.

Our governance structure

The Board

The Board is responsible for the long-term success of the Group which includes:

- Overall management of the Group;
- Setting and reviewing the strategy of the Group;
- Approval of major capital expenditure and acquisition projects, and consideration of significant financial matters;
- Monitoring the exposure to key business risks;
- Setting annual budgets and reviewing progress towards achievement of these budgets; and
- Proposing and making dividend payments to shareholders.

The Chairman

The Chairman is responsible for:

- The leadership of the Board;
- Ensuring the Board functions in all aspects of its role;
- Facilitating the effective contribution of the Non-Executive Directors and ensuring constructive relations between Executive and Non-Executive Directors;
- Ensuring all Directors receive accurate, timely and clear information;
- Setting the agenda so all relevant issues are discussed, ensuring sufficient time is devoted to discussing issues particularly strategic ones;
- Ensuring effective communication with stakeholders and acting as the public face of the Group; and
- The Chairman also acts as the Chairman of the Group's defined benefit pension scheme and also as Chairman of the various pre-arranged funeral plan trusts.

Non-Executive Directors

The Non-Executive Directors scrutinise, measure and review the performance of the management; constructively challenge and assist in the development of strategy; review the Group's financial information and ensure systems of internal control and risk management are effective. There are four independent Non-Executive Directors, the same number as the Executive Directors as prescribed in the Code for listed companies included in the FTSE 250 Index.

The Chief Executive and Executive Directors

The Chief Executive and Executive Directors are responsible for:

- Operational management and control of the Group on a day to day basis, local operational decisions are the responsibility of the local managers, who are accountable to the Chief Executive and the Executive Directors;
- Formulating and proposing strategy to the Board; and
- Implementing the strategy and policies adopted by the Board.

Committees of the Board

There are three standing committees of the Board: the Audit Committee; the Remuneration Committee and the Nomination Committee. The Terms of Reference of these Committees are set by the Board and are available on the Dignity plc corporate website. Membership is reserved for the Independent Non-Executive Directors save for the Nomination Committee that is chaired by the Non-Executive Chairman. The Board Committee Reports are on pages 56 to 67.

Executive Management Team

The Executive Management team consist of the following Executive Directors and Senior Managers:

- Chief Executive: Mike McCollum;
- Finance Director: Steve Whittern;
- Operations Director: Andrew Davies;
- Corporate Services Director: Richard Portman;
- General Manager Crematoria: Steve Gant;
- General Manager Pre-arrangement: Steve Wallis; and
- Head of Business Development: Alan Lathbury.

The Dignity plc Board
(Chairman, Executive Directors and Independent Non-Executive Directors)

Board Level Committees

Audit Committee
(Independent Non-Executive Directors)

Remuneration Committee
(Independent Non-Executive Directors)

Nomination Committee
(Chairman and Independent Non-Executive Directors)

Executive Management Team

Board of Directors

"The role of our experienced Board is to lead the Group with a view to the creation of strong, sustainable financial performance and long-term shareholder value.

Peter Hindley (n)
(Non-Executive Chairman)

Appointed to the Board: 2004

Background and experience:
Peter has extensive experience of the industry having been appointed Chief Executive of Plantsbrook Group plc in 1991. Following the acquisition of Plantsbrook Group plc and Great Southern Group plc by SCI in 1994, he was appointed CEO of SCI (UK). He subsequently led a management buy out of the Group from SCI in 2002. The Company was then floated on the Stock Exchange in 2004. Peter became Non-Executive Chairman in January 2009. Before entering the funeral service industry, Peter spent 25 years in retailing, holding senior positions in Debenhams, Burtons and Harris Queensway. Peter was appointed Chairman of the Steering Committee of the French funerals group OGF, SA in January 2014.

Mike McCollum
(Chief Executive)

Appointed to the Board: 2004

Background and experience:
Mike joined Dignity's former parent, SCI, in 1995 from KPMG Corporate Finance in London. As Finance Director he was part of the management team that guided the Group through the leveraged buy-out in 2002 and IPO in 2004. He was appointed Chief Executive in 2009. He has a law degree from Birmingham University, is a solicitor and also holds an MBA from Warwick University.

External appointments:
Non-Executive Director of CVS Group plc.

Steve Whittern
(Finance Director)

Appointed to the Board: 2009

Background and experience:
Steve joined the Group in 1999 from KPMG. He was appointed Finance Director at the beginning of 2009, having spent the previous two years as Financial Controller, being responsible for the Group's finance function. Steve led the further debt issue and Return of Value in 2010 and 2013, and the debt and equity funding for the Yew Acquisition. Steve is an FCA and holds a mathematics degree from Warwick University.

External appointments:
None.

Andrew Davies
(Operations Director)

Appointed to the Board: 2004

Background and experience:
Andrew joined his family owned business in 1979 and worked as a funeral director and embalmer until the business was sold to Great Southern Group in 1993. He then held various management positions within Great Southern Group and following the acquisition by SCI in 1994, held senior operational positions within SCI (UK). He became Operations Director in 2001 and was a member of the management buy out team in 2002.

External appointments:
None.

Richard Portman
(Corporate Services Director)

Appointed to the Board: 2006

Background and experience:
Richard joined SCI from HSBC as Chief Accountant in 1999. Following the IPO, Richard was appointed as Company Secretary and became Corporate Services Director in 2006. Richard is an FCA, holds a geography degree from Birmingham University, is a Fellow of the Chartered Management Institute and is a Member of the Investor Relations Society.

External appointments:
None.

Alan McWalter (a)(n)(r)
(Senior Independent Director)

Appointed to the Board: 2009

Background and experience:
Alan is a Non-Executive Chairman of Churchill China plc, Constantine Group plc, Kornicis Group Limited, a Non-Executive Director of Haygarth Group Limited and Senior Independent Director of SDL PLC. Prior to these roles Alan was Group Marketing Director of Marks and Spencer plc and before that held senior positions with Kingfisher plc and Thomson Consumer Electronics.

Ishbel Macpherson (a)(n)(r)
(Non-Executive Director)

Appointed to the Board: 2009

Background and experience:
Ishbel is a Non-Executive Director of Galliford Try plc, Senior Independent Non-Executive Director of Dechra Pharmaceuticals plc, Senior Independent Non-Executive Director and Chairman of the Audit Committee of Bonmarche Holdings plc and Chairman of Speedy Hire plc.
Prior to those roles she held senior positions with Barclays de Zoete Wedd, Hoare Govett and Dresdner Kleinwort Wasserstein.

Board Committee Key

(a) Member of the Audit Committee
(n) Member of the Nomination Committee
(r) Member of the Remuneration Committee

Jane Ashcroft CBE (a)(n)(r)
(Non-Executive Director)

Appointed to the Board: 2012

Background and experience:
Jane is Chief Executive of Anchor, a leading provider of services to older people and has held a number of senior positions since joining them in 1999. She is also Non-Executive Chair of Care England and was previously a Non-Executive Director of Stroud & Swindon Building Society. A graduate of Stirling University, she is a Fellow of the Institute of Chartered Secretaries & Administrators, a Member of the Chartered Institute of Personnel and Development, a Trustee of Silver Line and was created a CBE in the 2014 New Years honours list.

Martin Pexton (a)(n)(r)
(Non-Executive Director)

Appointed to the Board: 2012

Background and experience:
Martin was previously Managing Director of LMS Capital plc and prior to that an Executive Director of London Merchant Securities plc and Personnel Director of the law firm Allen & Overy. He has also in the past held a number of non-executive positions including roles with Minerva plc and Inflexion plc as well as a number with private companies. He has an MBA from the London Business School.

See Audit Committee report: p.50 to p.52
See Nomination Committee report: p.53
See Remuneration report: p.54 to p.67

Directors' statement on corporate governance

How the Board Functions

The Group is controlled through the Board of Directors that meets regularly throughout the year. Informal meetings are held between individual Directors as required. The Board has adopted a formal Schedule of Matters Reserved to it. The structure of the Board, together with explanations of responsibilities is shown on page 43.

The management of the Group on a day to day basis is delegated, via the Executive Directors, to an experienced senior and middle management team whose size and structure is commensurate with the complexity of the Group's activities. Managers have the necessary skills and knowledge relevant to their areas of responsibility. The remainder of the responsibilities vest with the Board however, certain capital expenditures and acquisition projects are delegated under the formally adopted Schedule of Matters Reserved for the Board and the Expenditure Authorisation Policy.

All Directors are provided with the necessary papers in advance of the meetings to permit them to make informed decisions at those meetings. The Board also considers employee issues and key appointments, including the role of Company Secretary.

The Board comprises eight Directors and the Non-Executive Chairman. There are the same number of independent Non-Executive Directors and Executive Directors which the Board consider to be an appropriate and effective combination. The Board also considers that four Executive Directors are sufficient to manage a Company of this size and organisational structure.

The four independent Non-Executive Directors who served for the period were: Jane Ashcroft, Ishbel Macpherson, Alan McWalter and Martin Pexton. Biographical details for the Non-Executive Directors appear on pages 44 and 45. Their role is to challenge constructively the management of the Group and help develop proposals on strategy. The Non-Executive Directors are chosen for the their diversity of skills and experience. Each Non-Executive Director is appointed for a fixed term of two years, subject to annual re-election by shareholders. This term may then be renewed by mutual consent up to a maximum of nine years in accordance with the Code. Appointments beyond six years are also subject to rigorous review prior to approval. The Non-Executive appointment letters are available from the Company Secretary.

Alan McWalter is the Senior Independent Director of the Group. His role is to provide a sounding board for the Chairman and act as an intermediary for other Directors if needed and to be available to shareholders if necessary.

The Chairman and the Non-Executive Directors are required to, and have, formally confirmed to the Board that, mindful of their other commitments they have, and will have, sufficient time to devote to their responsibilities as Directors of the Company.

Jane Ashcroft, Ishbel Macpherson, Alan McWalter, and Martin Pexton are independent of management, as defined by the Code.

All Directors are able to take independent professional advice on the furtherance of their duties if necessary at the Group's expense. They also have access to the advice and services of the Company Secretary, who is also the Corporate Services Director and, where it is considered appropriate and necessary, training is made available to Directors. All Directors receive annual training and updates on the duties and responsibilities of being a Director of a listed company. This covers legal, accounting and tax matters as required. In addition any newly appointed director receives appropriate induction training.

The Company maintains appropriate insurance cover in respect of any legal action against its Directors. The level of cover is currently £70 million.

The Directors have, during the period, formally reminded themselves of their duties as Directors under the Companies Act 2006 (Section 171-177). These duties include the need to avoid conflicts of interest (Section 175). No such conflicts of interest exist.

In accordance with the Code, all Directors will submit themselves for re-election at the forthcoming Annual General Meeting.

Board Appraisal

In accordance with the requirements of the Code, and as mentioned in the 2012 Annual Report, an external evaluation of the Board and its Committees was completed during the period by Independent Audit Ltd. This is a specialist company, entirely independent of the Group. This was the first time an external evaluation was completed and, in accordance with the requirements of the Code, this will be completed on at least a three yearly basis going forward.

The evaluation included the circulation of a questionnaire to each Director to stimulate thinking prior to an interview with the external assessor. The performance of individual Directors was considered as part of this process. The results of the evaluation were then collated, discussed with the Chairman, a detailed report sent to all Directors followed by a presentation by Independent Audit Ltd to the full Board at their meeting in September 2013. The evaluation concluded that the Board and its Committees operate very effectively and there were no significant areas of concern. An action plan has been developed to consider and address the development points identified, which mainly relate to minor administrative matters.

Board and Committee Attendance

Those attending and the frequency of Board and Committee meetings held during the year was as follows:

	Main Board(i)	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	**8**	**3**	**4**	**2**
Jane Ashcroft	8	3	4	2
Andrew Davies	8	2(ii)	–	–
Peter Hindley	8	3(ii)	4(ii)	2
Mike McCollum	8	3(ii)	1(ii)	1(ii)
Alan McWalter	8	3	4	2
Ishbel Macpherson	8	3	4	2
Martin Pexton	8	3	4	2
Richard Portman	8	3(iii)	4(iii)	2(iii)
Steve Whittern	8	3(ii)	–	–

(i) Only full Board meetings, of which there are usually six per annum, have been included in the attendance analysis together with two further meetings which were convened to deal with the acquisition of Yew Holdings Limited and the issue of further Secured Notes and the Return of Value to shareholders. 13 further meetings were held with a quorum of Directors to approve announcements, documents or the issue of shares under the LTIP and SAYE schemes.

(ii) In attendance by invitation of the respective Committee.

(iii) Richard Portman attended certain Committee meetings in his capacity as Company Secretary.

The Board believes that six full meetings per annum spread broadly equally across the year is the appropriate number required to exercise effective governance and control. Further meetings, as occurred in 2013, are arranged if required.

When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. A process exists whereby such views will be included in the minutes of the meeting if necessary.

Three meetings between the Chairman and the Non-Executive Directors, without the Executive Directors being present were held during 2013. These are usually scheduled to occur before each full Board meeting.

The Company Secretary

The Company Secretary, Richard Portman, is responsible for the preparation and distribution of all agendas, minutes and related Board and Committee papers. As Corporate Services Director, he attends the Board meetings in his capacity as a Director of the Company but also acts as Secretary to those meetings. He attends the Committee meetings in his capacity as Company Secretary and also as Secretary of those Committees when requested to do so by the Chairman of that Committee. He is also responsible for ensuring all Board procedures are followed and for advising the Board on corporate governance matters. The Board is happy that the role of Company Secretary is undertaken by the Corporate Services Director as, whilst it might be considered more appropriate to have the roles separate, the Board believes it is the most cost effective and sensible way of filling the role particularly given the skills and knowledge of the Corporate Services Director. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Internal Control and Risk Management

The Board recognises it is responsible for the Group's system of internal control and risk management, which is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. A formal on going process of identifying, evaluating and managing the significant risks faced by the Group was in place for the period and in place up to the date the Governance Report was signed and approved for the Annual Report and Accounts 2013. This process was in place at the date of approval of the Annual Report and is in accordance with the Code.

Internal controls are formally reviewed on an on going basis. Internal Audit completes a programme of work each year that provides assurance that the internal controls have been tested are working effectively and also propose improvements where appropriate and necessary. Coupled with this, the bi-annual review of the Risk Register provides a further formal review mechanism for considering and reviewing internal controls. All such work is reported to and monitored by the Audit Committee who recommends approval to the full Board and is discussed in the Audit Committee Report on pages 50 to 52.

The Audit Committee on behalf of the Board, as part of an on going process, has formally reviewed during the year and continues to keep under review the effectiveness of the Group's systems of internal controls, including financial, operational and compliance controls and risk management systems. The Audit Committee reviews risk management annually and receives reports from executive management regarding weaknesses in internal control, any losses arising out of weaknesses in internal control and progress in implementing revised procedures to improve and enhance internal control. There have been no reports of system weaknesses that have resulted or would have resulted in a material misstatement or loss.

Directors' statement on corporate governance continued

The key procedures, which operated throughout the period, are as follows:

- Financial reporting – The Group has a comprehensive system of internal budgeting and forecasting. The Group's monthly actual results analysed by operating division are reported to the Board and significant variances to budget are investigated with revised forecasts prepared as necessary. Operational management receives comprehensive management accounts covering their areas of responsibility, which forms the basis for the consolidated accounts;

- Financial controls – The Executive Directors have defined appropriate and necessary financial controls and procedures to be employed by operational management. Key controls over major business risks include reviews against budgets and forecasts, review against key performance indicators and exception reporting;

- Quality and integrity of personnel – One of the Group's core values is integrity. This is regarded as vital to the maintenance of the Group's system of internal financial control. The Directors have put in place an organisational structure appropriate to the size and complexity of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary and appropriate;

- Internal audit – The Group has a dedicated Internal Audit team, which reports to the Audit Committee and the Chief Executive. It coordinates the completion of self-assessment reports by operational management that assists in highlighting areas of control weakness or exposure. Internal audit reviews are completed on such areas, together with selected areas of the head office function and any area where a Director of the Audit Committee requests a review. During 2013 (as in 2012), there were quarterly meetings between the Head of Internal Audit and the Executive Directors formally to review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PricewaterhouseCoopers LLP, were held during the year to discuss and plan audit work and to ensure a complementary approach. The Head of Internal Audit provides reports to the Audit Committee at every meeting;

- Procedures – The Group has established and documented processes and procedures covering most parts of its operations, both client facing and in support departments. These provide clear guidance on the correct or most appropriate course of action in various circumstances. Procedures are supplemented by training where needs have been identified. Both Internal Audit and a comprehensive management structure monitor the adherence to such processes and procedures; and

- Risk assessment – Management has responsibility for the identification and evaluation of significant risks that might arise in their area of responsibility, together with the design of suitable internal controls. This was in place throughout the accounting period and at the date of approval of the Annual Report. The Executive Directors and the wider management team regularly assess the risks. A Risk Register is maintained, which is formally presented to and reviewed by the Audit Committee twice a year. The principal risks and uncertainties facing the Group are discussed on pages 32 and 33 of the Annual Report.

These procedures are designed to, amongst other things, help to provide assurance around the process of preparing consolidated financial statements and the financial reporting system.

An explanation of how the Group creates and preserves value and the strategy for delivering its objectives is included in the Operating review on pages 22 to 27.

Relationship with Shareholders
The Group encourages two-way communication with both its institutional and private shareholders and responds promptly to any queries received.

The Chief Executive and Finance Director have regular meetings with institutional investors, fund managers and analysts to discuss information made public by the Group. Where appropriate or if requested, such meetings could include either or both the Chairman and the Senior Independent Director. The Chairman, Senior Independent Director and the Non-Executive Directors are also available to meet separately with shareholders if necessary or requested to discuss any issues that they may have. The Chairman is also available to discuss governance and strategy matters with the major shareholders.

The Corporate Services Director, in his additional role as Company Secretary, generally deals with queries from private shareholders. The Board is as interested in their concerns as it is of institutional and corporate shareholders. All shareholders are free to attend and put questions to the Board at the AGM on 5 June 2014. At least 20 days notice will be given ahead of that meeting. Questions asked in person at the AGM will receive an oral response whenever possible, otherwise a written response will be provided as soon as practicable after the AGM. Questions raised at any other time will normally receive a written response. Shareholders attending the AGM will have the opportunity to meet informally with all the Directors after the meeting has concluded.

The Directors consider that this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model, risks and strategy. Pages 4 to 33 provide an assessment of the Group's affairs. The Annual Report and Accounts is made available to all shareholders at least 20 working days before the AGM. Registered shareholders receive a Notice of Meeting and Form of Proxy, the latter document allowing a shareholder to vote in favour, or against or indicate an abstention on each separate resolution tabled at the AGM. Particulars of aggregate proxies lodged are also announced to the London Stock Exchange ('LSE') and placed on the Group's investor website, www.dignityfuneralsplc.co.uk, as soon as practicable after the conclusion of the AGM.

The Interim Report is no longer published as a paper document but is available on the Group's investor website upon which users can also access the latest financial and corporate news. All information reported to the market via regulatory information services also appears as soon as practicable on that website.

The Group has and will arrange visits to its funeral locations and crematoria, if requested by a shareholder, where it will not disrupt services to our clients.

Substantial shareholdings

The Group has been notified of the following interests of three per cent or more of the issued share capital of the Company:

	As at 1 March 2014		As at 27 December 2013	
Holder	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
BAM & Oppenheimer Funds	5,420,088	10.16%	5,420,088	10.16%
Montanaro Group	2,757,955	5.17%	2,757,955	5.17%
Franklin Templeton Investment Management Limited	2,671,533	5.00%	2,867,543	5.38%
Kames Capital	2,219,243	4.16%	2,219,243	4.16%
Tiger Global Management LLC	2,110,643	3.96%	2,110,643	3.96%

By order of the Board

Richard Portman
Company Secretary

5 March 2014

Audit Committee report

"During 2013, the Committee continued to focus on its compliance role by ensuring effective controls and reviews are in place.

Dear Shareholder,
On behalf of the Board, I am pleased to present the Audit Committee report for 2013.

Membership and Process

The following Directors served on the Audit Committee (the 'Committee') during 2013: me (as Chairman), Alan McWalter (Senior Independent Director), Jane Ashcroft and Martin Pexton each of whom are independent Non-Executive Directors.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee. I report the Committee's deliberations at the next Board meeting and the minutes of each meeting are made available to all members of the Board.

The Committee met three times during 2013; in March prior to the release of the Preliminary Announcement for 2012; prior to the release of the Interim Announcement for 2013 in July; and again in December 2013. The attendance records of the members is shown on page 47. The external auditors, PricewaterhouseCoopers LLP ('PwC'), the Chairman, the Chief Executive, the Finance Director and the Operations Director have attended meetings by invitation.

Role

The Committee works with the full Board to fulfil its oversight responsibilities. Its primary functions are to:

- Monitor the integrity of the financial statements and other information provided to shareholders to ensure they represent a clear and accurate assessment of the Group's position, performance, strategy and prospects;
- Consider the financial statements and recommend to the Board on whether the Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable;
- Review significant financial reporting issues and judgements contained in the financial statements;
- Review the systems of accounting, internal control and risk management;
- Monitor and review the significant risks identified by the Group as well as the mitigation of those risks;
- Maintain an appropriate relationship with the Group's external auditors and review the effectiveness and objectivity of the external audit process;
- Monitor and review the effectiveness of the internal audit function; review the internal audit plan; all internal audit reports; and review and monitor management's responses to the findings and recommendations of the internal audit function; and
- Monitor and review the arrangements by which employees can, in confidence, raise concerns about any possible improprieties in financial and other matters (such as compliance with the Bribery Act).

The terms of reference are available on the Group's corporate website at www.dignityfuneralsplc.co.uk.

Activities in 2013

The key activities of the Committee during the period were:

- It reviewed the financial statements in the 2012 Annual Report and Accounts and the 2013 Interim Report. As part of this review the Committee received reports from the external auditors on their audit of that Annual Report and their review of the interim results. It also reviewed the Preliminary and Interim Announcements made to the London Stock Exchange;
- At all three meetings it reviewed reports made by Internal Audit which included the review of progress against the plan for the period, the results of principal audits and other significant findings, adequacy of management's responses and the timeliness of resolution of actions arising;
- Review and agreement of the Internal and External Audit Plan for 2014;
- A six month review and formal adoption of the Risk Register. This is part of a formal ongoing process of identifying, evaluating and managing the significant risks faced by the Group. The principal risks facing the Group are considered on pages 32 and 33 of the Annual Report;
- Review the policy for non audit fees and review non audit work provided by the external auditors;
- Formally review the going concern assumptions adopted in the preparation of the 2012 and 2013 accounts; and
- Review the performance of the external auditors.

The primary area of judgement considered by the Committee in relation to the 2013 Annual Report related to the acquisition of the Yew business. The Yew Acquisition was a significant transaction for the Group requiring judgements on fair values. The Committee considered how management had identified and fair valued the assets and liabilities acquired, including intangible assets. Fair values were supported wherever possible by independent valuations (for example in respect of the properties acquired).

Other areas that have been discussed and considered by the Committee in relation to the 2013 Annual Report are:

- Pensions – We examined the assumptions used in the actuarial valuation for the defined benefit pension scheme which include the discount rate, the inflation rate and mortality. We considered the consistency of the basis of calculation of the assumptions used with 2012, and agreed with the judgements reached by management.
- Provision for doubtful trade receivables – We examined the risks relating to the trade receivables ledger and the adequacy of provisions made against them. Management presented their assessment of the risks, the mitigating actions taken and the amounts provided. We agreed with the judgements reached by management.
- Capital raising and return of value to shareholders – The Committee considered the appropriateness of the accounting treatment adopted for the capital raising and return of value to shareholders in the year, including that relating to professional fees.
- Annual goodwill and intangible asset impairment review – We considered the judgements made in relation to the valuation methodology adopted by management and the model inputs used, which include the approved business plan, long-term growth rates and weighted average cost of capital. We also reviewed and approved the sensitivities used by management which were consistent with 2012, as required by IAS 36.

The Committee discussed the annual external audit plan in advance of the year end with the external auditors, which addressed the planned audit approach to these key accounting areas. The Committee discussed the audit findings relating to key accounting matters at the conclusion of the audit.

The Committee holds a private session with the Lead Partner from our external auditor without management present at least twice a year. In addition, I, as Chairman of the Audit Committee, met with the Lead Partner three times through the year to provide the opportunity for open communication and the free flow of any concerns relating both to the openness, transparency and general engagement of management with the audit process as well as to understand PwC's assessment of key judgements as they arise.

The Audit Committee's role

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. This policy assigns responsibility for monitoring objectivity, independence and compliance with ethical and regulatory requirements to the Audit Committee with day to day responsibility assigned to the Finance Director, Steve Whittern. The Committee also retains responsibility for the appointment and removal of the external auditors, who are currently PwC.

The Audit Committee, on an annual basis, formally considers the performance and independence of the external auditors. The Committee was satisfied with both their performance and independence in 2013. The Committee is confident that the objectivity and independence of the external auditors is not compromised by reason of their non audit work or any other factors and has adopted more stringent controls to ensure that this independence will not be compromised in the future. A formal statement of independence from PwC has been received in respect of 2013.

Policy on non audit fees

With effect from 1 January 2014, the Group has adopted a more rigorous and comprehensive policy on the use of the external auditors for non audit work. This is because the Group wishes to adopt best practice regarding the level of non audit fees and is also mindful of the feedback it received after the 2012 Annual Report was published and the voting at the 2013 AGM on the reappointment of PwC.

The policy states that non audit fees are limited to no more than 50 per cent of the annual audit fee unless there are exceptional circumstances, which are defined as:

- The work necessitates the use of the auditor for regulatory reasons; and
- Their use represents a material time/cost benefit to the Group in conducting a transaction.

This policy also precludes the use of the external auditors for certain types of work. All such work will be fully analysed in the Annual Report between tax compliance and advisory, non statutory acquisition related services and statutory services. If non audit fees to be incurred with the external auditor are to be in excess of 20 per cent of the audit fee, Audit Committee approval will be required prior to the work being commenced and further disclosure of the works and the reasons for it being performed by the external auditors will be included in the following Annual Report. The Audit Committee do not envisage that non audit fees payable to the external auditors will exceed 50 per cent in the future, other than in exceptional circumstances.

Audit Committee report continued

As this policy was not effective until 1 January 2014, work associated with the acquisition of Yew Holdings Limited and the further issue of Secured Notes, was conducted by PwC, as described below:

	£m
Acquisition of Yew Holdings Limited • This included tax, structuring and pensions advice	0.2
Further issue of Secured Notes • This included tax accounting, pensions and structuring advice	0.8
Tax advice relating to other acquisitions	0.1
Other – including certificates required to be produced by the auditors under the Group's loan documentation and the review of the Interim Report	0.1
Total	1.2

PwC completed this work due to their detailed knowledge and understanding of the business. In the case of the Interim Report review and specific certificates, PwC was best placed to complete this work as current auditors.

Audit partner rotation and tender of the external audit
Consistent with the Auditing Practices Board, PwC audit partners serve for a maximum of five years on listed clients. Consequently, this Annual Report represents the last year that Matthew Mullins will be Dignity's audit partner. He will be replaced in 2014.

The Audit Committee considers that the relationship with the auditors is working well and remains satisfied with their effectiveness. This conclusion was reached following a review of the effectiveness of external audit as perceived by senior financial personnel and the Board. The approach was consistent with last year, involving a number of questions covering areas such as the robustness of the audit process, the quality of delivery and the quality of people and service. Scores continued to show a strong overall performance by PwC. In addition, we also noted the results of the Audit Quality Review Team's (part of the Financial Reporting Council) assessment of the effectiveness of PwC relative to its peers as well as PwC's own transparency report.

The Audit Committee has also kept under review the independence of PwC and has been satisfied at all times that any threats arising to their independence have been subject to appropriate safeguards. The ratio of non audit to audit services has, however, been relatively high. The Group has therefore decided to tender the role of external auditor with a view to making an appointment in time for the appointee to perform the review of the Group's 2014 interim results. PwC will not take part in this tender, leaving them available to continue to provide the non audit services from which the Group has benefitted over recent years.

The Group does not expect to conclude the tender process until after the AGM. Consequently, given the obligation to retain an auditor at all times, the AGM will include a resolution to reappoint PwC as external auditors. Once the replacement is identified, PwC will resign and the Directors will use their powers to fill a casual vacancy. Shareholders will be notified of the replacement at the appropriate time.

There are no contractual obligations restricting the Company's choice of external auditor. However, under the terms of the Secured Notes, Dignity (2002) Limited and certain of its subsidiaries are only permitted to engage PwC, KPMG LLP, Deloitte LLP or Ernst & Young LLP (or their successor firms) as external auditors.

Internal Audit
The Group has a dedicated Internal Audit team, which reports to the Chief Executive and the Audit Committee. It coordinates the completion of self-assessment reports by operational management that assists in highlighting areas of control weakness or exposure. Internal audit reviews are completed on such areas together with selected areas of the head office function and any area where a Director or the Audit Committee requests a review. During 2013 (as in 2012), there were quarterly meetings between the Head of Internal Audit and the Executive Directors formally to review and discuss Internal Audit's work programme and findings. In addition, regular meetings between Internal Audit and the external auditors, PwC, were held during the year to discuss and plan audit work and to ensure a complementary approach. The Head of Internal Audit provides reports to the Audit Committee at every meeting and met on a one to one basis with me, as the Chairman of the Audit Committee on three occasions in the period.

Whistleblowing
A formal process, established via the Committee, exists by which employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. This ensures arrangements are in place for the proportionate and independent investigation of such matters and appropriate follow-up action. Whistleblowing reports are formally reviewed on an annual basis by the Committee or more frequently should the need arise.

This Audit Committee report was reviewed and approved by the Board on 5 March 2014.

Ishbel Macpherson
Chairman of the Audit Committee

5 March 2014

Nomination Committee report

"I am pleased to report that the full Board continues to strongly support the spirit of the Davies Report and we achieved our goal of 20 per cent of our Board being comprised of women in 2012.

Dear Shareholder,
On behalf of the Board, I am pleased to present the Nomination Committee report for 2013.

Throughout 2013 the Nomination Committee (the 'Committee') consisted of me (as Chairman), Alan McWalter (Senior Independent Director), Jane Ashcroft, Ishbel Macpherson and Martin Pexton each of whom are independent Non-Executive Directors. The Company Secretary acts as Secretary to the Committee.

The principal duties of the Committee are as follows to:

- Keep under review the structure, size and composition of the Board which includes ensuring that it has the necessary skills, knowledge and experience;
- Regularly consider succession planning for the Directors and senior managers;
- Be responsible for identifying and nominating for approval by the full Board, candidates to fill Board vacancies as and when they arise;
- Keep under review the leadership needs of the Group, both executive and non-executive;
- Review annually the time required from the Non-Executive Directors; and
- Review annually performance of the Committee and evaluation of the Directors standing for re-election at the AGM.

The terms of reference are available on the Group's corporate website at www.dignityfuneralsplc.co.uk.

The Committee met twice in 2013. At these meetings the principal duties of the Committee were formally considered and no issues or concerns were identified. The members of the Committee's attendance record is set out on page 47.

I report on the Committee's proceedings at the next full Board meeting and the minutes of those meetings are made available to all members of the Board.

There were no changes to the composition of the Board in 2013 as two new Non-Executive Directors, Jane Ashcroft and Martin Pexton were appointed in 2012 to replace Non-Executive Directors, James Newman and Bill Forrester, who retired.

The Committee, and by extension the full Board, continue to support the spirit of Lord Davies' Report "Women on Boards". In 2011 we set a goal of 20 per cent of Board positions to be filled by women by 2015. This objective was achieved in 2012. We continue to remain mindful of the overall need to recruit the very best candidates regardless of gender and will continue to encourage similar diversity in senior management positions and throughout the workforce.

I am also pleased to confirm that the Group will continue to publish the details on corporate diversity suggested in Recommendation 2 of the Davies Report, support the changes to the UK Corporate Governance Code in Recommendation 3 and report on our compliance (Recommendation 4) and appointment process (Recommendation 5) in our Annual Report.

During the period, the Board completed an externally facilitated evaluation. The results of this are discussed on page 46.

Finally, the Company's Articles provide that all Directors retire by rotation with one third being subject to re-election each year. However we continue to adopt the provisions of the UK Corporate Governance Code such that all Directors offer themselves for re-election annually.

This Nomination Committee report was reviewed and approved by the Board on 5 March 2014.

Peter Hindley
Chairman of the Nomination Committee

5 March 2014

Report on Directors' remuneration

for the 52 week period ended 27 December 2013

"We are committed to ensuring that rewards for Executives are closely aligned to the interests of shareholders by having all our incentive arrangements linked to challenging performance targets, focused on growing earnings and generating market beating levels of shareholder return.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Remuneration Committee's report on Directors' remuneration for 2013.

The new regulations governing the disclosure and approval of directors' remuneration require the Remuneration report to be split into three parts, (i) this Annual Statement, (ii) The Remuneration Policy Report which will be subject to a binding shareholder resolution at the forthcoming AGM and (iii) the Annual Report on Remuneration which will be put to an advisory shareholder resolution at the forthcoming AGM.

Performance outcome for 2013

As highlighted in the Financial review, for the year ended 27 December 2013, the business continued to perform strongly. Underlying profit before taxation was £52.9 million, an increase of 15 per cent on the previous period. Underlying earnings per share was 72.1 pence, also an increase of 15 per cent.

Accordingly, the strong performance in EPS growth has generated maximum annual bonus payments for Executive Directors, being 100 per cent of individuals' base salaries. Long-term incentive awards made in March 2011 under the shareholder approved Long-Term Incentive Plan ('LTIP') are subject to a relative total shareholder return ('TSR') measure. These awards will vest on 21 March 2014 and based on performance to 27 December 2013, Dignity returned 99.4 per cent compared to the median of the TSR peer group of 39.5 per cent. If this relative performance is maintained, the anticipated level of vesting is 100 per cent of the award.

The Committee believes that this represents a fair link between reward and performance for the year under review.

Remuneration Policy for 2014

We are committed to ensuring that rewards for Executives are closely aligned to the interests of shareholders by having all our incentive arrangements linked to challenging performance targets, focused on growing earnings and generating market beating levels of shareholder return.

Annual bonus and long-term incentive plan opportunities remain unchanged from the year under review. The Committee continues to believe that the current arrangements do not inadvertently encourage undue risk taking given the clear long-term focus in our policy. The operation of a Performance Share Plan, in addition to operating clawback provisions in the short and long-term plans and share ownership guidelines, ensure that executive rewards are clearly aligned with the long-term objectives of the Company and its shareholders.

Shareholder feedback

The Remuneration Committee encourages dialogue with the Company's shareholders and will consult with major shareholders ahead of any significant future changes to the remuneration policy. We were delighted that the 2012 Remuneration Report received a 99.8 per cent vote in favour at the last AGM.

We look forward to your continued support of our remuneration policy at the 2014 Annual General Meeting.

Alan McWalter
Chairman of the Remuneration Committee

5 March 2014

Introduction

This part of the Directors' Remuneration Report sets out the remuneration policy operated by the Group in respect of Executive Directors and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Act') and also in accordance with the requirements of the Listing Rules of the Financial Conduct Authority. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years. The Policy Report will be put to a binding shareholder vote at the 2014 AGM and, given that shareholder approval is being sought for the policy detailed below at our AGM, the 'Effective Date' of the policy is intended to be the date of the AGM, subject to it receiving majority shareholder support.

REMUNERATION POLICY REPORT

The objective of the remuneration policy is to provide remuneration packages to each Executive Director that will:

- Align rewards with the interests of shareholders;
- Motivate and encourage superior performance;
- Allow the Group to retain the talent needed to execute its business strategy;
- Enable the Group to be competitive when recruiting appropriately skilled and experienced management; and
- Ensure that the overall package for each Director is linked to strategic objectives of the Group.

The Remuneration Committee are confident that this policy will retain and develop further the Group's entrepreneurial culture, whilst also focusing executive remuneration on performance which the Committee believes will best serve shareholders' interests. It is therefore the aim of the Remuneration Committee to encourage and reward superior performance by Executive Directors with that performance being measured against robust financial performance and returns to shareholders. This is achieved by heavily weighting the overall remuneration package towards variable pay.

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

The table below summarises the main components of Dignity's ongoing remuneration policy.

Element	Purpose and link to strategy	Operation	Maximum Opportunity	Framework used to assess Performance
Base salary	Essential to recruit and retain executives. Reflects an individual's experience, role and performance.	Salaries are paid monthly. They are normally reviewed annually and fixed for 12 months commencing 1 January. In deciding appropriate levels, the Committee takes into account: • the role, experience, responsibility and performance (individual and Group); • increases applied to the broader workforce; and • relevant market information for similar roles in broadly similar UK listed companies and companies of a similar size.	Generally, annual increases will be in line with employee increases but higher increases may be awarded on occasion where an individual is promoted or has been recruited on a below market rate or where there have been changes to individual responsibilities or in the size or complexity of the business. Salaries for 2014 are: CEO: £476,250; Operations Director: £270,500; Finance Director: £265,000; and Corporate Services Director: £230,000.	None.
Benefits	Operate competitive benefits to help recruit and retain executives.	Benefits include provision of a company car (or cash allowance in lieu), fuel, landline telephone at residence, mobile phone, family private medical cover and a pre-arranged funeral plan for the individual or spouse. Relocation or other related expenses may be offered, as required. May participate in the all-employee HMRC approved Save As You Earn ('SAYE') option scheme.	Market competitive levels. Relocation expenses must be reasonable and necessary. HMRC individual SAYE limit (currently £250 per month).	None.
Pension	Provides a discrete element of the package to contribute to post retirement lifestyle.	The Company operates a defined benefit plan, the Dignity Pension and Assurance Scheme, under which selected executives may accrue benefit. The defined benefit plan is closed to new members. The Company may contribute to selected individuals' personal pension schemes or is able to make salary supplements in lieu of pension contributions. Details of the arrangements for the Directors are set out in the Annual Report on Remuneration.	The accrual rate under the defined benefit scheme is one eightieth of final salary for every completed year of service. The Company contribution to defined contribution plans or salary supplement in lieu of pension may be made up to the value of 15% of salary.	Not applicable.
Annual bonus	To motivate executives and incentivise the achievement of annual financial and/or strategic business targets.	Bonus payment is determined by the Committee after the year end, based on performance against targets set. Targets are reviewed annually. The bonus is payable in cash following the audit of the performance year. Bonus payments can be clawed back in the event of financial misstatement or miscalculation of performance conditions.	The maximum award under the annual bonus scheme is 100% of salary.	The bonus may be based on the achievement of an appropriate mix of challenging financial, strategic or personal targets. Financial measures which account for the majority, if not all, of the bonus opportunity may include measures such as EPS (or other measures of profit) or cash flow taking into account the strategic objectives of the business from time to time. For financial metrics, a range of targets is set by the Committee, taking into account factors such as the business outlook for the year. • Nothing is payable for performance below a minimum level of performance. • Up to 70% is payable for meeting a demanding target and up to a further 30% is payable for achieving a second, more demanding target. • Bonus is payable on a pro rata basis for performance between the first and second targets. See Note 1.

Element	Purpose and link to strategy	Operation	Maximum Opportunity	Framework used to assess Performance
Long-Term Incentive Plan	Incentivises selected employees and Executive Directors to achieve demanding financial and superior long-term shareholder returns. Provides long-term retention. Aligns the interests of the Executives and shareholders through the requirement to build up a substantial shareholding.	Awards are normally granted annually in the form of nil cost options. Stretching performance conditions measured over a period of three years determine the extent to which awards vest. Quantum is reviewed annually (subject to the LTIP individual limit) taking into account matters such as market practice, overall remuneration, the performance of the Company and the Executive being made the award. Vested awards are subject to clawback in the event of financial misstatement or miscalculation of performance conditions.	The maximum annual award to an individual is 125% of salary.	Awards under the LTIP vest at the end of a three year performance period subject to the satisfaction of challenging performance measures. Two measures apply: • A portion of awards will vest based on the Company's total shareholder return ('TSR') performance over a three year performance period compared to a comparator group set on grant. 25% of this part of the award vests at median, with 100% vesting for upper quartile performance with straight line vesting in between. For this part of the award, no vesting can occur unless the Committee considers that the underlying financial performance of the Group has been satisfactory. • A portion of awards will be subject to a sliding scale of underlying earnings per share growth targets. 15% of this part of the award vests for achieving a threshold level of growth, with full vesting for stretch performance or better. For performance between these points, vesting is on a straight line basis. In determining the target range for any financial measures that may apply, the Committee ensures they are challenging by taking into account current and anticipated trading conditions, the long-term business plan and external expectations. TSR and EPS performance periods commence from the start of the financial year in which the award is made. See Note 2.
Non-Executive Chairman and Directors' fees	To attract and retain high quality and experienced Non-Executive Chairman and Directors.	The Board determines the fees of the Non-Executive Directors. They are based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Remuneration Committee and the Chief Executive). The level of fees of the Non-Executive Directors reflects the time commitment and responsibility of their respective roles. Their fees are reviewed from time to time against broadly similar UK listed companies and companies of a similar size. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment of the Non-Executive Chairman and Directors.	Current fees are set out in the Annual Report on Remuneration.	Not applicable.
Share ownership guidelines	To align the interests of management and shareholders and promote a long-term approach to performance.	Executive Directors are required to accumulate a holding in the Company to the value of 100 per cent of their salary as at 1 March 2013. Until the guideline is met, the executive is required to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities).	Not applicable.	Not applicable.

Notes

1. In terms of annual performance targets, underlying EPS is used as the primary performance metric reflecting the Company's objective of increasing earnings and shareholder value.
2. Total Shareholder Return is an important benchmark of the success of the business and provides a strong alignment with the returns received by shareholders. The EPS measure ensures a focus on long-term profitability which the Committee believes is a driver of shareholder value.

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

Bonus Plan and LTIP discretions

The Committee will operate the annual bonus plan and LTIP according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. A copy of the LTIP rules is available on request from the Company Secretary. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table above):

- Who participates in the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver (in addition to any specified categories) for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose whilst being no less stretching.

Legacy arrangements

For the avoidance of doubt, in approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former directors that have been disclosed previously to shareholders.

Differences in remuneration policy for Executive Directors compared to other employees

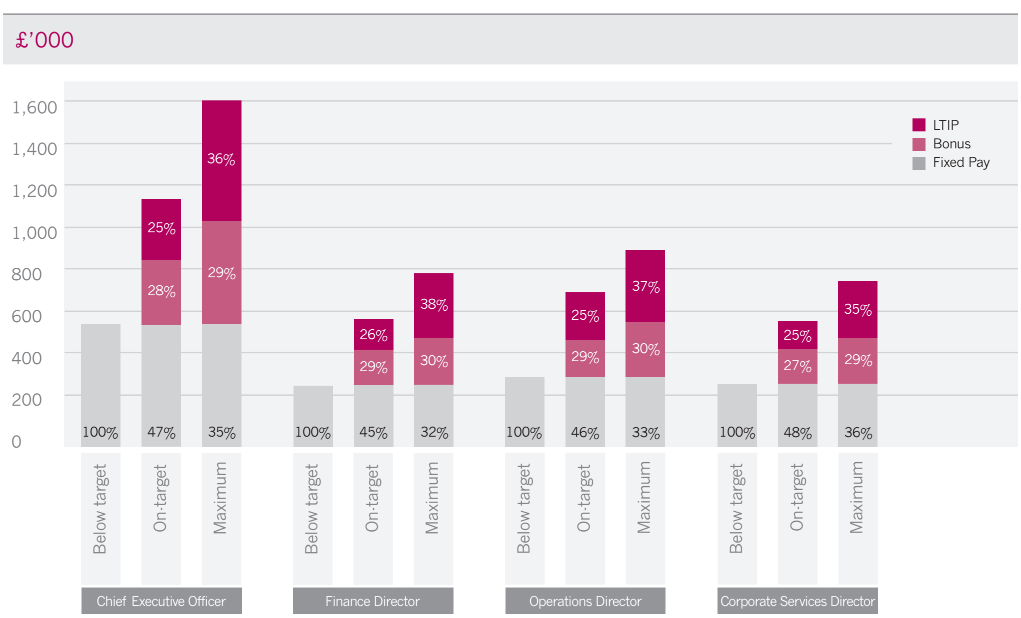
The Committee is made aware of pay structures across the wider Group when setting the remuneration policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors.

An annual bonus plan operates across all employees in the Group and all employees are eligible to participate in the SAYE scheme.

Overall, the remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between the value created for shareholders and the remuneration received by the Executive Directors given it is the Executive Directors who are considered to have the greatest potential to influence Company value creation.

Remuneration scenarios for Executive Directors

The Company's policy results in a significant portion of remuneration received by Executive Directors being dependent on Company performance. The graph below illustrates how the total pay opportunities for the Executive Directors vary under three performance scenarios: below target, on-target and maximum.



Notes

- Below target comprises Fixed pay. Fixed pay is the sum of basic salary, benefits and pension. Fixed pay is constant across all three scenarios.
- For On-target; assumed 70% of maximum bonus paid (which is also the start-to-earn point) and 50% of LTIP vests.
- For Maximum; assumed full bonus payment and LTIP vests in full.
- No account has been taken of any changes in the Company's share price since the end of the period.

Recruitment and Promotion policy

The remuneration package for a new director will be established in accordance with the Company's approved policy as described on pages 56 to 58, subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Company's remuneration policy, taking into account the experience and calibre of the individual and their existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with the approved policy, with relocation or other expenses provided for if necessary. A pension contribution of up to 15 per cent of salary may be provided or continued participation in the defined benefit pension for a promoted employee who currently participates in the plan.

The structure of variable pay element will be in accordance with the Company's approved policy detailed above. The maximum aggregate variable pay opportunity is 225 per cent of base salary. Different performance measures may be set initially for the annual bonus in the year of joining, taking into account the responsibilities of the individual, and the point in the financial year that he or she joined the Board.

In the case of external recruitment, if it is necessary to buy out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this may be provided, taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, may be granted using the Company's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the LSE Listing Rules.

In the case of an internal recruitment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Fees for a new chairman or non-executive director will be set in line with the approved policy.

Service contracts and payments for loss of office

The Company's policy is to have service contracts for Executive Directors that continue indefinitely unless determined by their notice period. Under the Executive Directors' service contracts and in line with the policy for new appointments, 12 months notice of termination of employment is required by either party.

All Non-Executive Directors have letters of appointment with the Company for an initial period of two years, subject to annual re-appointment at the AGM. Appointments may be terminated with three months' notice. The appointment letters for the Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

In accordance with the terms of the UK Corporate Governance Code all Directors submit themselves for re-election at the Annual General Meeting each year. Service contracts and letters of appointment are available for inspection at the Company's registered office. Details of the service contracts with all Executive Directors and letters of appointment with Non-Executive Directors are as follows:

Name	Contract date	Notice period	Unexpired term of contract or letter of approval
Mike McCollum	1 April 2004	12 months	Rolling Contract
Andrew Davies	1 April 2004	12 months	Rolling Contract
Richard Portman	1 November 2006	12 months	Rolling Contract
Steve Whittern	1 January 2009	12 months	Rolling Contract
Peter Hindley	7 December 2013	3 months	36 months
Ishbel Macpherson	14 December 2012	3 months	12 months
Alan McWalter	14 December 2012	3 months	12 months
Jane Ashcroft	1 April 2012	3 months	3 months
Martin Pexton	1 April 2012	3 months	3 months

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

For Executive Directors, the Company may in its absolute discretion at any time after notice is served by either party, terminate a Directors' contract with immediate effect by paying an amount equal to base salary for the then unexpired period of notice plus the fair value of contractual benefits subject to the deduction of tax.

An Executive Director's service contract may be terminated without notice for certain events such as gross misconduct or a serious breach of contract. No payment or compensation beyond salary (and the value of holiday entitlement) accrued up to the date of termination will be made if such an event occurs.

There are no special provisions relating to change of control. The policy on termination is that the Group does not make payments beyond its contractual obligations and the Committee ensures that there are no unjustified payments for failure.

Any statutory payments required by law may be made.

The Group allows Executive Directors to hold a Non-Executive position with one other company or organisation, for which they can retain the fees earned. Mike McCollum was appointed a non-executive director of CVS Group plc on 2 April 2013 and received remuneration of £40,000 per annum (including an allowance for his role as Chairman of the Remuneration Committee).

Treatment of incentives

The treatment for share-based incentives previously granted to an Executive Director under the LTIP will be determined based on the plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment. However, an executive will be treated as a 'good leaver' under certain circumstances such as death, illness, injury, disability, redundancy, retirement, his employing company ceasing to be a Group Company or the undertaking business or division for which he or she works being sold out of the Company's Group, or any other circumstances at the discretion of the Employee Benefits Trust trustee having obtained the opinion of the Committee. If treated as a good leaver, awards will vest, as normal, three years after grant after an assessment of the extent to which performance targets have been achieved. The number of awards that would vest will be reduced pro-rata to reflect the proportion of the three year period actually served.

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the AGM each year and guidance from shareholder representative bodies more generally. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the Company's annual review of remuneration policy. For 2013, we were grateful for the constructive feedback received from major shareholders and representative bodies on our proposals to introduce an EPS measure alongside relative TSR under the LTIP for 2013.

Consideration of employment conditions elsewhere in the Group

The Company, does not actively consult with employees on Directors' remuneration. However, when setting the remuneration policy for Executive Directors, the Committee takes into account the pay and employment conditions of other employees in the Group.

Membership of the Remuneration Committee

The Code requires that a Group of the size of Dignity plc has a Remuneration Committee comprising a minimum of three non-Executives. The Committee is chaired by me, Alan McWalter, Senior Independent Director. The Committee members comprise all the other Non-Executive Directors: Jane Ashcroft, Ishbel Macpherson and Martin Pexton.

The Remuneration Committee members have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interests arising from cross directorships and no day to day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes.

The Remuneration Committee determines and agrees with the Board, within formal terms of reference, the framework and policy of Directors' and senior management's remuneration and its cost to the Group. The Committee considers the performance of the Executive Directors as a prelude to recommending their annual remuneration, bonus awards and share awards to the Board for final approval.

The Committee met four times during the year. At those meetings basic salaries of Executive Directors and senior managers were reviewed, the targets and quantum of annual performance related bonuses for Directors were also agreed, as were awards granted under the Group's Long-Term Incentive Plan ('LTIP'). The meetings also approved the payment of the 2012 performance related bonus and dealt with the vesting of the shares awarded in 2010 under the LTIP scheme.

The Committee also receives advice from several sources, namely:

- The Chairman and the Chief Executive who attend the Remuneration Committee by invitation or when required and the Company Secretary, who is also the Corporate Services Director, attends meetings when required as Secretary to the Remuneration Committee. No Executive Director takes part in discussions relating to their own remuneration and benefits.
- New Bridge Street (a trading name of Aon Corporation) is the Committee's executive remuneration advisor and is a signatory to the Remuneration Consultants Group's Code of Conduct. Aon Corporation does not provide any other services to the Group.

New Bridge Street were appointed by the Remuneration Committee in 2012 to act as remuneration consultants, having historically provided a range of advice to the Committee, including advice on performance targets for long-term incentive awards, the impact of the BIS reforms on reporting and shareholder voting and market developments generally. Total fees charged in the period were approximately £43,000 and were charged on a time spent basis.

ANNUAL REPORT ON REMUNERATION

This part of the report has been prepared in accordance with Part 3 of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 AGM. The information from the single total remuneration figure for Directors on page 62 to the end of page 65 has been audited. The remainder is unaudited.

Implementation of Remuneration Policy in 2014

Salaries

Following the review of Executive Directors' base salaries during the last quarter of the financial period ending 27 December 2013, and after considering the levels of anticipated salary increases across the Group as a whole, the Committee decided to increase the Executive Directors' salaries as shown in the table below with effect from 1 January 2014.

The current salaries as at 1 January 2014 are:

	2014	2013	Increase
Mike McCollum	£476,250	£466,900	2%
Andrew Davies	£270,500	£265,200	2%
Richard Portman	£230,000	£212,200	8%
Steve Whittern	£265,000	£235,000	13%

Last year the Committee moved to correct Steve Whittern's below market base salary and to reflect his progress in his role of Finance Director. The Committee has adopted a phased approach and his 2014 increase reflects this. His salary remains below market levels and the Committee is satisfied the latest increase reflects his strong performance in the role over the last year and his increased experience. As he continues to develop in the role the Committee may apply above inflationary increases to move his base salary to a market level. Richard Portman's salary was adjusted upwards by eight per cent to reflect the size and scale of his role after comparison with market data.

Chairman and Non-Executive Directors' fees

As set out in the Policy Report, the Company's approach to setting Non-Executive Directors' remuneration is with reference to market levels in comparably sized FTSE companies, levels of responsibility and time commitments. A summary of current fees is as follows:

	2014	2013	Increase
Peter Hindley	£163,250	£160,000	2%
Jane Ashcroft	£44,000	£41,000	7%
Ishbel Macpherson	£52,900	£51,800	2%
Alan McWalter	£59,000	£57,800	2%
Martin Pexton	£44,000	£41,000	7%

The base fees for Non-Executive Directors in 2013 were £41,000 for Jane Ashcroft and Martin Pexton and £43,000 for Ishbel Macpherson and Alan McWalter. The Senior Independent Director receives an additional fee of £9,000 and the Chair of the Audit and Remuneration Committees receive additional fees of £8,800 and £5,800 respectively.

The total fees for Ishbel Macpherson and Alan McWalter disclosed in the 2012 Annual Report included pro-rated fees for their chairmanships of the Audit Committee and the Remuneration Committee respectively from 1 April 2012.

Jane Ashcroft and Martin Pexton's fees were initially increased by £2,000 to £43,000 to bring them into line with Ishbel Macpherson's and Alan McWalter's base fees for 2013 with effect from 1 January 2014. All Non-Executive Directors (including Jane and Martin) and the Chairman then received an inflationary rise of two per cent so their fees for 2014 are as in the table above. Going forward they will receive annual inflationary rises on the same basis as the Executive Directors.

Pension and Benefits

Mike McCollum will receive a salary supplement in lieu of pension of 15 per cent of his basic salary. Richard Portman will continue to participate in the Group's defined benefit plan and no contributions will be made for Andrew Davies or Steve Whittern in 2014 as they have chosen not to participate in the Group's pension arrangements.

Annual bonus

The annual bonus will operate on the same basis as for 2013 and consistent with the policy detailed in the Policy Report in terms of the maximum bonus opportunity and clawback provisions.

All of the bonus will be based on EPS targets with nothing payable for performance below a minimum level of performance, 70 per cent payable for achieving a demanding target and a further 30 per cent payable for achieving a second, more demanding, target. Bonus is payable on a pro rata basis for performance between the first and second targets.

The EPS targets themselves are deemed to be commercially sensitive and have not been disclosed prospectively. However, full retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report.

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

Long-term incentives

The maximum normal annual award limit under the LTIP is 125 per cent of salary and it is intended that awards will be granted in 2014 at this level to Executive Directors. Clawback provisions will operate as set out in the Policy Report.

Consistent with the conditions applying to the 2013 awards, half of the 2014 awards will be subject to a relative TSR measure measured against the constituents of the FTSE 350 as at 1 January 2014 and the other half subject to EPS growth targets. The performance period for both tranches will be the three financial years, 2014-2016.

- TSR – No part of this award vests if performance is below median, 25 per cent vests for achieving median, with 100 per cent vesting for upper quartile performance with straight line vesting in between. For this part of the award, no vesting can occur unless the Committee considers that the underlying financial performance of the Group has been satisfactory.
- EPS – No part of this award vests if compound annual growth in underlying EPS above RPI is less than six per cent p.a., 15 per cent vests for six per cent p.a. real growth, 50 per cent vests for nine per cent p.a. real growth with full vesting for 11 per cent p.a. real growth or better. Vesting is on a straight line basis for performance in between these points.

The Committee believes the EPS targets are sufficiently challenging in light of internal and external forecasts.

Single total remuneration figure for Directors

The following table presents a single total remuneration figure for 2013 for the Executive and Non-Executive Directors.

	Fixed Pay			Pay for Performance			
	Salary £000's	Benefits[(a)] £000's	Pension[(b)] £000's	Annual Bonus[(c)] £000's	LTIP[(d)] £000's	Other[(e)] £000's	Total Remuneration £000's
Executive Directors							
Mike McCollum	467	18	70	467	1,093	–	2,115
2012	*458*	*19*	*63*	*458*	*1,083*	–	*2,081*
Andrew Davies	265	29	–	265	621	–	1,180
2012	*260*	*29*	–	*260*	*616*	–	*1,165*
Richard Portman	212	18	34	212	497	9	982
2012	*208*	*19*	*19*	*208*	*493*	–	*947*
Steve Whittern	235	18	–	235	497	9	994
2012	*208*	*18*	–	*208*	*369*	–	*803*
Non-Executive Directors							
Peter Hindley	160	1	–	–	–	–	161
2012	*153*	*1*	–	–	–	–	*154*
Jane Ashcroft	41	–	–	–	–	–	41
2012	*31*	–	–	–	–	–	*31*
Ishbel Macpherson	52	–	–	–	–	–	52
2012	*47*	–	–	–	–	–	*47*
Alan McWalter	58	–	–	–	–	–	58
2012	*53*	–	–	–	–	–	*53*
Martin Pexton	41	–	–	–	–	–	41
2012	*31*	–	–	–	–	–	*31*

(a) Benefits include provision of a company car or allowance, fuel, family medical cover, landline telephone at each Executive Director's home residence and a mobile telephone together with a pre-arranged funeral plan in accordance with any scheme established by the Group in respect of the funeral of the Executive Director or his wife.

(b) Pension includes a cash contribution for Mike McCollum and the value of participation in the Group's defined benefit pension scheme for Richard Portman.

(c) The bonus refers to performance in the 2013 financial year and is due to be paid in cash in March 2014.

(d) The LTIP value relates to the award that was granted on 18 March 2011. The performance period for this award ends on 20 March 2014. Our estimate of likely vesting is based on performance to 27 December 2013 and using the average share price for the 28 day period to 27 December 2013. The comparative number is the 2010 LTIP that vested in 2013.

(e) The value of SAYE awards upon exercise.

Determination of 2013 annual bonus outcome

The targets for the 2013 annual bonus were based on the achievement of set earnings per share growth targets. 70 per cent of the maximum bonus (being 100 per cent of salary for Executive Directors) was payable for achieving a first demanding underlying EPS target of 68.4 pence per share and 100 per cent for a second, more demanding underlying EPS target of 70.5 pence per share.

	Weighting	Target (for which 70% of maximum payable)	Stretch (for which 100% of maximum payable)	2013 achieved	Cash bonus payable (out of 100% of salary maximum)
Earnings per share	100%	68.4pence	70.5pence	72.1pence	100%

The strong growth in underlying EPS over the year of 15 per cent meant that the first and second EPS targets were met. Accordingly, the Committee awarded Executive Directors full bonuses in respect of the 2013 financial year, being 100 per cent of base salary. None of the annual bonus is deferred.

Determination of LTIP awards with performance periods ending in the year and SAYE vesting

The TSR performance period for the LTIP awards made 2011 will end on 20 March 2014. The estimated vesting for this award is 100 per cent for performance to 27 December 2013. This is based on Dignity's TSR of 99.4 per cent which places the Company 54th out of the remaining 334 listed companies in the Comparator Group. The performance period for this award ends on 20 March 2014.

Performance level	TSR relative to FTSE 350 companies	
	Performance required	*% vesting*
Below threshold	Below median	0%
Threshold	Median	25%
Stretch or above	Upper quartile or above	100%
Actual achieved	Upper quartile or above	100%

During the year, awards under the Inland Revenue Approved SAYE Share Option Scheme granted on 22 October 2010 vested and were exercised as follows:

	Date of grant	Number held at 28 December 2012	Exercised	Lapsed	Number held at 27 December 2013	Date
Richard Portman	22 October 2010	1,283	1,283	–	–	1 December 2013
Steve Whittern	22 October 2010	1,283	1,283	–	–	1 December 2013

The SAYE options had an exercise price of £7.01 per share and must be exercised within six months of the date shown above. Both Directors exercised their options on 1 December 2013.The share price on the date of grant was £6.46.

LTIP and SAYE awards granted in the year

LTIP awards granted in the form of nil cost options to Executive Directors on 19 March 2013 were as follows:

Executive	Number of LTIP awards	Face/maximum value of awards at grant date*£	% of award vesting at threshold and maximum	Performance period
Mike McCollum	57,050	583,622	• Threshold: 15% for EPS and	01.1.13 – 31.12.15
Andrew Davies	32,405	331,503	25% for TSR.	01.1.13 – 31.12.15
Richard Portman	25,929	265,254		01.1.13 – 31.12.15
Steve Whittern	28,715	293,754	• 100% for maximum vesting	01.1.13 – 31.12.15

* Based on a 28 day average share price to 31 December 2012 of 1,023 pence.

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

The 2013 LTIP awards will vest subject to achievement against two performance measures. Half of the awards will vest depending on the Company's TSR performance over a three year period commencing on 1 January 2013, with no opportunity to retest. TSR will be compared to the constituents of the FTSE 350. No award will vest unless the Committee considers that the Group's underlying financial performance over the period has been satisfactory. None of the award shall vest if the Company's ranking is below median. At median, 25 per cent of the award will vest and the award will vest in full if the Company is ranked in the upper quartile. Awards will vest on a straight line basis for a ranking between median and upper quartile.

The other half of the awards will vest subject to a sliding scale of underlying EPS growth targets measured over three financial years. 15 per cent of this part of the award vests for compound annual growth in underlying EPS above RPI of six per cent p.a., 50 per cent vests for nine per cent p.a. real growth with full vesting for 11 per cent p.a. real growth or better. For performance between these points, vesting is on a straight line basis. Performance is measured over the three-year period ending 31 December 2015.

Clawback provisions apply.

During the year options were granted on 4 October 2013 under the Inland Revenue Approved SAYE Share Option Scheme:

	Date of grant	Number held at 28 December 2012	Granted	Lapsed	Exercised	Number held at 27 December 2013	Exercise date
Richard Portman	4 October 2013	–	612	–	–	612	1 December 2016

The SAYE options have an exercise price of £14.69 per share and must be exercised within six months of the date shown above. The share price on the date of grant was £14.14.

Outstanding Long-Term Incentive Plan awards

Details of the nil cost option awards made under the LTIP are disclosed in the table below:

Director	Award grant date	Share price at grant (pence)	As at 28.12.12	Granted during year	Lapsed during year	Exercised during year	As at 27.12.13	Earliest date shares can be acquired	Latest date shares can be acquired
Mike McCollum	19.03.10(ii)	671p	82,011	–	–	82,011	–	19.03.13	18.03.14
	18.03.11(iii)	691p	81,223	–	–	–	81,223	21.03.14	17.03.15
	28.03.12(iv)	815p	70,219	–	–	–	70,219	29.03.15	27.03.22
	19.03.13(v)	1,023p	–	57,050	–	–	57,050	20.03.16	18.03.23
Andrew Davies	19.03.10(ii)	671p	46,597	–	–	46,597	–	19.03.13	18.03.14
	18.03.11(iii)	691p	46,129	–	–	–	46,129	21.03.14	17.03.15
	28.03.12(iv)	815p	39,884	–	–	–	39,884	29.03.15	27.03.22
	19.03.13(v)	1,023p	–	32,405	–	–	32,405	20.03.16	18.03.23
Richard Portman	19.03.10(ii)	671p	37,278	–	–	37,278	–	19.03.13	18.03.14
	18.03.11(iii)	691p	36,903	–	–	–	36,903	21.03.14	17.03.15
	28.03.12(iv)	815p	31,907	–	–	–	31,907	29.03.15	27.03.22
	19.03.13(v)	1,023p	–	25,929	–	–	25,929	20.03.16	18.03.23
Steve Whittern	19.03.10(ii)	671p	27,958	–	–	27,958	–	19.03.13	18.03.14
	18.03.11(iii)	691p	36,903	–	–	–	36,903	21.03.14	17.03.15
	28.03.12(iv)	815p	31,907	–	–	–	31,907	29.03.15	27.03.22
	19.03.13(v)	1,023p	–	28,715	–	–	28,715	20.03.16	18.03.23

(i) The awards under the LTIP up to and including those made in 2012 are subject to a comparative TSR performance condition against the constituents of the FTSE 350. Awards will only be released if the Group's comparative TSR performance is equal or greater than the median level of performance over the holding period at which point 25 per cent of the award will be released with full vesting occurring for an upper quartile performance. Vesting occurs on a straight line basis between these points. Half of the awards made in 2013 are subject to a relative TSR condition as described above with the other half based on EPS growth targets.

(ii) Value based on the average mid market share price for the previous 28 days to 18 March 2010.

(iii) Value based on the average mid market share price for the previous 28 days to 17 March 2011.

(iv) Value based on the average mid market share price for the previous 28 days to 22 March 2012.

(v) Value based on the average mid market share price for the pervious 28 days to 31 December 2012.

Directors’ interest in shares

To align the interests of senior management with those of shareholders further, Executive Directors are subject to share ownership guidelines. Executive Directors are required to accumulate a holding of Ordinary Shares in the Company to the value of 100 per cent of their salary. Until the guideline is met the Executive is expected to retain 50 per cent of shares acquired under the Company's share plans (after allowing for tax and national insurance liabilities).

The interests of the Directors in the share capital of Dignity plc at 27 December 2013 are set out below:

	Number of Ordinary Shares				
		At 27 December 2013			
Name	At 28 December 2012	Legally owned	Subject to SAYE	Subject to performance conditions under the LTIP	Percentage of salary held in legally owned shares under the shareholding guideline
Mike McCollum	484,167	200,001	–	208,492	519%*
Andrew Davies	282,342	149,732	–	118,418	684%*
Richard Portman	206,526	102,142	612	94,739	583%*
Steve Whittern	108,021	21,367	–	97,525	110%*
Peter Hindley	175,305	175,305	–	–	Not applicable to Non-Executive Directors
Ishbel Macpherson	5,288	5,288	–	–	Not applicable to Non-Executive Directors
Alan McWalter	2,786	2,786	–	–	Not applicable to Non-Executive Directors
Jane Ashcroft	–	1,000	–	–	Not applicable to Non-Executive Directors
Martin Pexton	–	3,000	–	–	Not applicable to Non-Executive Directors

There has been no change in the interests set out above between 27 December 2013 and 5 March 2014.

The shares held at 28 December 2012 have been restated to reflect the share consolidation that took place on 12 August 2013.

* The shareholding guideline for the Executive Directors is that they hold 100% of their basic salary as shares based on their salary at 1 March 2013 and the 28 day average share price to 28 February 2013.

Directors’ total pension entitlements

	Age at 27.12.13	Pensionable service at 27.12.13	Accrued pension 28.12.12	Accrued pension 27.12.13	Increase in accrued inflation (net of inflation) during the year	Transfer value of increase (net of inflation and employee contributions)	Payment in lieu of retirement benefits i.e. pension supplement	Value x 20 over year (net of inflation and Directors' contributions)	Total pension benefits	Normal retirement age	Value x 20 at start of year	Value x 20 at end of year
Mike McCollum	46	15.67	102,566	104,822	–	–	70,035	–	70,035	65	2,051,320	2,096,440
Richard Portman	52	14.33	38,936	42,318	2,525	17,738	–	34,062	34,032	65	778,720	846,360

(1) Throughout 2013 Richard Portman was a member of the Dignity Pension and Assurance Scheme, which is a defined benefit and tax approved scheme to which both the Director and the Group contribute. Mike McCollum ceased to be an active member of the Scheme on 31 March 2012 and instead receives a contribution of 15 per cent of base salary per annum towards his personal pension arrangements. The Group has also arranged permanent life cover equal to the benefit he would have received had he remained in the Scheme.

(2) Transfer values have been calculated in accordance with the transfer value basis set by the Trustees.

(3) Pension accruals shown are the amounts that would be paid annually on retirement based on service at the end of the current period. This equates to accrued entitlement.

Loss of office payments

No Director left in the year and no compensation for loss of office was paid.

Report on Directors' remuneration continued

for the 52 week period ended 27 December 2013

Relative importance of spend on pay

The following table sets out the percentage change in dividends and overall spend of employee pay in the 2013 financial year compared with the prior year.

	2013 £m	2012 £m	% change
Dividends*	6.2	8.3	(25.3)%
Employee remuneration costs	78.6	71.3	10.2%

*No interim dividend was paid to shareholders in 2013. Instead there was a Return of Value of £1.08 per Ordinary Share.

Percentage change in CEO pay

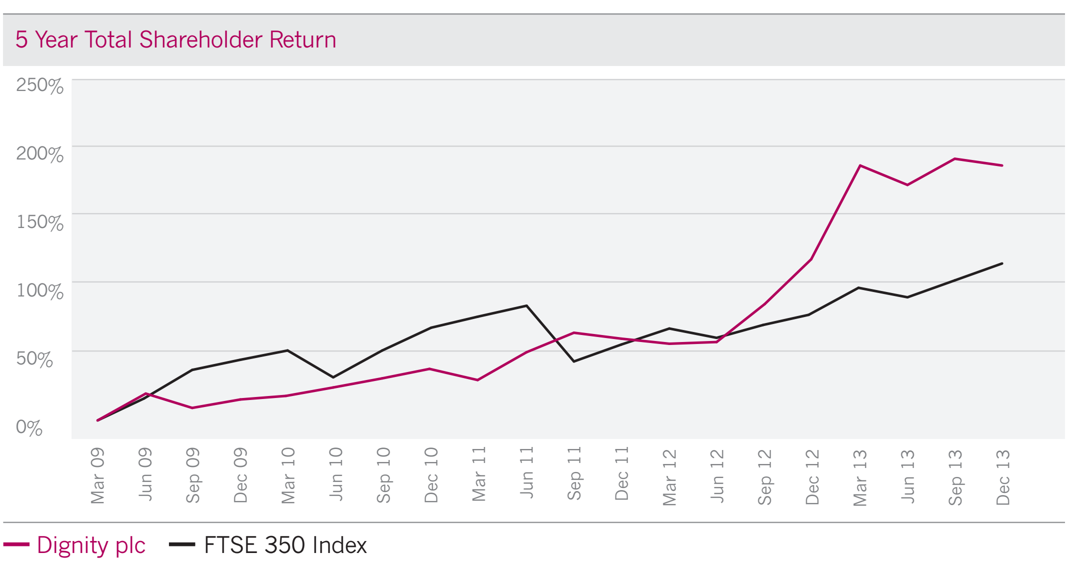
	2013	2012	% change
Chief Executive (£000s)			
– Salary	467	458	2%
– Benefits	88	82	7%
– Bonus	1,560	1,541	1%
Full time equivalent average employee (£)[(1)]			
– Salary	18,620	17,182	8%
– Benefits	576	538	7%
– Bonus	1,837	1,490	23%

The table above shows the percentage year on year change in the value of salary, benefits and annual bonus for the Chief Executive between the current and previous year compared to that of the average employee on a full time equivalent basis. The 2013 bonus includes the projected value of the shares that could vest from the 2011 LTIP award, comparative includes the value of shares vesting from the 2010 LTIP awards.

(1) There are 2,727 employees at 27 December 2013, of which 682 were part time.

Performance graph and single figure table

The following graph shows the Company's TSR performance over the last five financial years against the FTSE 350 index. The FTSE 350 has been chosen as the Company is a member of that index.



The table below shows the total remuneration figure for the CEO over the same five year period. The total remuneration figure includes the annual bonus and LTIP awards with performance periods ending in or shortly after the relevant year ends.

	2009	2010	2011	2012	2013
CEO single total figure of remuneration (£000's)	1,018	899	917	2,081	2,115
Annual bonus payout relative to maximum (%)	85%	100%	100%	100%	100%
LTIP vesting (%)	63%	–	–	100%	100%

Statement of shareholder voting at the AGM (Unaudited)

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	46,090,022	98.54%
Against	96,578	0.20%
Abstentions	587,966	1.26%
Total	**46,774,566**	**100%**

On behalf of the Board

Alan McWalter
Chairman of the Remuneration Committee

5 March 2014

Directors' report

for the 52 week period ended 27 December 2013

The Directors present their report and the audited consolidated financial statements for Dignity plc and its subsidiaries for the 52 week period ended 27 December 2013.

The company registration number of Dignity plc is 4569346.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Report on Directors' Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's websites and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 44 and 45 of the Annual Report, confirm that, to the best of their knowledge and belief:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic report on pages 4 to 41 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Principal risks and uncertainties
Operational risks are considered on page 33.

An assessment of the Group's exposure to financial risks and a description of how these risks are managed are included in note 2 to the consolidated financial statements.

Capital Reorganisation
On 30 July 2013 Dignity Finance PLC, a subsidiary of the Group, issued £50.25 million Class A Secured 6.31 per cent Notes due 2023 and £40.75 million Class B Secured 8.151 per cent Notes due 2031. This raised a total £93.2 million after expenses. The Company returned £61.9 million (£1.08 per Ordinary Share) to shareholders through the issue and redemption of B or C Share for each existing Ordinary Share. This was approved at an Extraordinary General Meeting on 8 August 2013. The Company also completed, in August 2013, a consolidation of its share capital on the basis of 13 new Ordinary Shares of 11 4/13 pence for every 14 existing Ordinary Shares of 10.5 pence each.

Share capital
During the period, the Group issued 2,536,863 Ordinary Shares of 10.5 pence; 2,283,019 were issued at £10.60 each, raising £24.2 million, partly to fund the acquisition of Yew Holdings Limited for a total consideration of £58.3 million and 253,844 were issued to satisfy Long-Term Incentive Plan share awards vesting in the period.

Following the share consolidation referred to above, the issued share capital of Dignity plc at 27 December 2013 consisted of 53,343,871 Ordinary Shares of 11 4/13 pence each. All the Ordinary Shares carry the same rights and obligations. There are no other class or type of share in issue.

Subsequent to the share consolidation a further 141,981 Ordinary Shares were issued to satisfy options exercised under the 2010 Save As You Earn Scheme which ended during the period.

A special resolution passed at the last Annual General Meeting on 6 June 2013 gives Dignity plc the authority to purchase up to 5,704,050 Ordinary Shares of 10.5 pence each at not less than nominal value and not more than five per cent above the average middle market quotation for the preceding five business days. At the same meeting the Company was also given authority to allot Ordinary Shares up to an aggregate nominal value of £3,992,835 of which up to £299,463 may be for cash. These authorities will expire at the conclusion of the next Annual General Meeting on 5 June 2014. It is the intention of the Directors to seek renewal of these authorities at that Annual General Meeting. There are no restrictions at the period end on the transfer of securities.

Results
The results for the period are set out in the Consolidated Income Statement on page 74. The Group's profit before tax amounted to £49.6 million (2012: £45.4 million).

Dividends
No interim dividend was paid in October 2013 as a capital return to shareholders was made in August 2013. The Board has proposed a final dividend of 11.83 pence (2012: 10.75 pence) per share, which, subject to approval at the Annual General Meeting, will be paid on 27 June 2014 to shareholders on the register at close of business on 23 May 2014.

Employment policies
During the period, the Group has maintained its obligations to develop and improve arrangements aimed at involving employees in its affairs. Methods of communication used include an in house newsletter, an employee website, bulletins and management briefings. This is discussed in more detail in the Corporate and Social Responsibility Report on pages 36 to 38.

Employment policies are designed to provide equal opportunities irrespective of age, sexuality, colour, ethnic or national origin, religion, nationality, sex or marital status. Full consideration is given to the employment, training and career development of disabled persons, subject only to their aptitudes and abilities. The Group endeavours, as far as is practicable, to treat disabled persons equally with others and will also endeavour to help and accommodate persons who become disabled whilst working for Dignity.

Directors and their interests
Details of the Directors of the Company who were in office during the period and up to the date of signing the financial statements are shown in the Report on Directors' Remuneration on pages 59 and 65. In accordance with the Articles of Association and the UK Corporate Governance Code, at the Annual General Meeting, all Directors will retire as Directors of the Company and, being eligible, offer themselves for re-election at the Annual General Meeting on 5 June 2014.

During the period, the Company maintained liability insurance for its Directors and Officers. The Directors of each of the Company's subsidiaries have the benefit of an indemnity provision in the Company's Articles of Association. The indemnity provision, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, was in force throughout the period and is currently in force.

Health and safety policy
The Group's operations are designed at all times in such a way as to ensure, so far as reasonably practicable, the health, safety and welfare of all of our employees and all other persons who may be attending our premises. This is discussed in the Corporate and Social Responsibility Report on page 39.

Corporate Social Responsibility
Maintaining the quality of the environment in which we all live is an important concern for the Group. This is discussed in the Corporate and Social Responsibility Report on page 40 alongside other social and ethical considerations.

Carbon Reporting
The Group reports its Greenhouse Gas to the Carbon Disclosure Project on an annual basis in tonnes of carbon dioxide equivalent resulting from the combustion of fuel (direct Scope 1 Emissions) and that resulting from the purchase of electricity (indirect Scope 2 Emissions). The emissions for the last five years are as follows:

	2013	2012	2011	2010	2009
Scope 1	15,077	15,097	15,202	16,798	15,005
Scope 2	7,151	7,861	7,388	6,938	8,366
Total	22,228	22,958	22,590	23,736	23,371
Per FTE Employee	8.14	9.03	9.12	9.62	9.52

The Greenhouse Gas emissions have been shown as a per full time equivalent employee ratio. The rationale for the choice of ratio is that it is the best measure available to the Group given the diversity of the property portfolio, the three separate divisions of the business and the absence of a similar business to benchmark against.

Scope 1 and Scope 2 emissions information is derived from accurate consumption information on utility bills, smart meter readings and fuel card data. These are then multiplied by the appropriate emission factor from Defra/DECC and certified by the Carbon Trust. Standard and accepted methods of calculation have been used to derive the emissions information.

The Group does not collect or report Scope 3 emissions principally because of the difficulty of collating accurate information and the deemed value of that information.

Directors' report continued

for the 52 week period ended 27 December 2013

Going concern

The Directors receive and review regularly management accounts, cash balances, forecasts and the annual budget together with covenant reporting. After careful consideration, and mindful of the current market conditions, the Directors confirm they are satisfied that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing the financial statements. The Directors formally considered this matter at the Board meeting held on 28 February 2014.

Post balance sheet events

Please refer to note 32 of the Notes to the Consolidated Financial Statements for further details.

Independent Auditors and disclosure of information to Auditors

A resolution for the reappointment of PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

In the case of each of the persons who are Directors at the time when the report is approved, the following applies:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- The Directors have taken appropriate steps to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate Governance Statement

The information that fulfils the requirements of a corporate governance statement in accordance with rule 7.2 of the Disclosure and Transparency Rules can be found in this Directors' Report and in the Directors' Statement on Corporate Governance on pages 46 to 49, which is incorporated by reference.

Strategic report

The Strategic report on pages 4 to 41 has been approved by the Board.

By order of the Board

Richard Portman
Company Secretary

5 March 2014

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 27 December 2013

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 27 December 2013 and of the Group's profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Dignity plc, comprise:

- the Consolidated balance sheet as at 27 December 2013;
- the Consolidated income statement and Consolidated statement of comprehensive income for the 52 week period then ended;
- the Consolidated statement of changes in equity and Consolidated statement of cash flows for the 52 week period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report & Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £4 million. In arriving at this judgement we have had regard to earnings before interest and taxation, because in our view, this is the most relevant measure of underlying performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along three business lines being funeral services, crematoria and pre-arranged funeral plans, supported by central overhead functions. These business lines and central functions are arranged into a number of statutory entities. The Group financial statements are a consolidation of these statutory entities which are all managed centrally at the head office.

For the purposes of our group audit, we identified seven statutory entities which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. However we also completed our audits of the financial information of other, non-significant statutory entities prior to completion of the Group financial statements. Therefore, together with additional procedures performed at the Group level with respect to consolidation adjustments, we obtained 99% coverage of the group earnings before interest and taxation, which gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

Independent auditors' report to the members of Dignity plc continued

for the 52 week period ended 27 December 2013

We considered the following areas to be those that required particular focus in the current period. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 50 and 51.

Area of focus	How the scope of our audit addressed the area of focus
Acquisition of Yew Holdings Limited – valuation of assets acquired and associated goodwill, and presentation and disclosure in the financial statements We focused on the valuation and completeness of assets and liabilities recognised in the balance sheet relating to this acquisition, including the resulting goodwill, due to the size of the acquisition and the significance of judgements management were required to make in accounting for this acquisition. The presentation and disclosure of the acquisition is considered to be complex under IFRS 3 (revised).	We performed procedures to determine the completeness of rights and obligations to assets and liabilities acquired. We obtained and evaluated the independent valuations of freehold properties commissioned by management. We compared and challenged key assumptions used, including the valuation basis as 'market value adjusted for certain assumptions' (being that the property would be vacant and the business closed but that the property will continue to be used for its existing use). We also tested the existence of a sample of properties by agreeing to supporting title deeds. We obtained an understanding of the intangible assets acquired and performed procedures to obtain evidence for the value allocated to trade names by obtaining management's summary of customer market data and agreeing relevant inputs to third party administered questionnaires. Having obtained audit evidence for the valuation of assets and liabilities acquired, we re-performed management's calculation of the resulting goodwill. We also performed procedures to determine that disclosure of the transaction in the financial statements was appropriate and complies with the relevant accounting standards.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. The pressure is considered to be heightened in a listed company given the external market pressures to achieve planned results. We focused on the completeness of this revenue and whether this revenue had been earned.	We evaluated the IT systems as the foundation of the evidence that we obtained regarding the revenue recognised during the period. We obtained evidence that invoices had been issued appropriately and that cash had been collected, or a receivable recorded for each sale selected for testing, including whether the revenue was recorded in the correct period. We tested deferred income to identify that it is appropriately calculated in accordance with the revenue recognition policy and that revenue was allocated to the correct period. We also tested journal entries posted to revenue accounts to identify unusual or irregular items and obtained evidence to determine the rationale for the adjustments tested.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and discussed fraud with senior management and the head of the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We tested some smaller value items and some higher risk areas in an unpredictable manner compared with previous periods. We also tested a sample of journal entries.

Going Concern

Under the Listing Rules we are required to review the directors' statement, set out on page 70, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 46 to 49 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 49 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 50 and 51, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report
Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Directors' Responsibilities Statement set out on page 68, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matters
We have reported separately on the parent company financial statements of Dignity plc for the 52 week period ended 27 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

5 March 2014

Consolidated income statement

for the 52 week period ended 27 December 2013

	Note	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Revenue	3	**256.7**	229.6
Cost of sales		**(105.4)**	(95.3)
Gross profit		**151.3**	134.3
Administrative expenses		**(76.2)**	(67.1)
Other income		**–**	1.5
Operating profit	3	**75.1**	68.7
Analysed as:			
Operating profit before profit (or loss) on sale of fixed assets and before external transaction costs	3	**78.4**	69.4
(Loss)/profit on sale of fixed assets		**(0.1)**	0.1
External transaction costs	5	**(3.2)**	(0.8)
Operating profit	3	**75.1**	68.7
Finance costs	4	**(28.9)**	(25.8)
Finance income	4	**3.4**	2.5
Profit before tax	5	**49.6**	45.4
Taxation – before exceptional items	6	**(12.7)**	(11.7)
Taxation – exceptional	6	**3.5**	2.0
Taxation	6	**(9.2)**	(9.7)
Profit for the period attributable to equity shareholders	3	**40.4**	35.7
Earnings per share for profit attributable to equity shareholders			
– Basic and diluted (pence)	8	**72.8p**	65.1p
Underlying Earnings per share (pence)	8	**72.1p**	62.8p

Consolidated statement of comprehensive income

for the 52 week period ended 27 December 2013

	Note	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Profit for the period		**40.4**	35.7
Items that will not be reclassified to profit or loss			
Actuarial loss on retirement benefit obligations	28	**(2.0)**	(0.9)
Tax on actuarial loss on retirement benefit obligations		**0.5**	0.2
Other comprehensive loss		**(1.5)**	(0.7)
Total comprehensive income for the period		**38.9**	35.0
Attributable to:			
Equity shareholders of the parent		**38.9**	35.0

Consolidated balance sheet

as at 27 December 2013

	Note	27 December 2013 £m	28 December 2012 £m
Assets			
Non-current assets			
Goodwill	9	**173.7**	151.1
Intangible assets	9	**76.7**	53.4
Property, plant and equipment	10	**183.6**	157.1
Financial and other assets	11	**12.7**	12.6
Retirement benefit asset	28	**–**	0.1
		446.7	374.3
Current assets			
Inventories	13	**6.6**	6.5
Trade and other receivables	14	**27.8**	25.6
Cash and cash equivalents – excluding collateralisation of Liquidity Facility	15	**79.3**	55.6
Cash and cash equivalents – collateralisation of Liquidity Facility(1)	15	**63.0**	–
Cash and cash equivalents	15	**142.3**	55.6
		176.7	87.7
Total assets		**623.4**	462.0
Liabilities			
Current liabilities			
Financial liabilities – excluding collateralisation of Liquidity Facility	16	**20.8**	24.5
Financial liabilities – collateralisation of Liquidity Facility(1)	16	**63.0**	–
Financial liabilities	16	**83.8**	24.5
Trade and other payables	17	**52.0**	46.2
Current tax liabilities		**6.7**	5.1
Provisions for liabilities and charges	19	**1.1**	1.1
		143.6	76.9
Non-current liabilities			
Financial liabilities	16	**403.1**	310.1
Deferred tax liabilities	20	**26.9**	24.2
Other non-current liabilities	17	**2.8**	2.8
Provisions for liabilities and charges	19	**3.8**	3.4
Retirement benefit obligation	28	**1.0**	–
		437.6	340.5
Total liabilities		**581.2**	417.4
Shareholders' equity			
Ordinary share capital	22	**6.0**	5.7
Share premium account		**20.8**	17.4
Capital redemption reserve		**121.6**	99.3
Other reserves		**(6.4)**	(7.2)
Retained earnings		**(99.8)**	(70.6)
Total equity		**42.2**	44.6
Total equity and liabilities		**623.4**	462.0

The financial statements on pages 74 to 112 were approved by the Board of Directors on 5 March 2014 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

(1) During the period, the Group forced the cash collateralisation of the Liquidity Facility, which supports the repayment of Secured Notes in the event of default. This followed the downgrade of RBS by S&P. Further information may be found in the Financial Review and notes 16(f) and 21(d).

Consolidated statement of changes in equity

for the 52 week period ended 27 December 2013

	Ordinary share capital £m	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Shareholders' equity as at 30 December 2011	5.7	17.4	99.3	(7.9)	(97.3)	17.2
Profit for the 52 weeks ended 28 December 2012	–	–	–	–	35.7	35.7
Actuarial loss on defined benefit plans	–	–	–	–	(0.9)	(0.9)
Tax on pensions	–	–	–	–	0.2	0.2
Total comprehensive income	–	–	–	–	35.0	35.0
Effects of employee share options	–	–	–	1.2	–	1.2
Tax on employee share options	–	–	–	(0.4)	–	(0.4)
Adjustment for tax rate change 25% to 23%	–	–	–	(0.1)	–	(0.1)
Dividends (see note 7)	–	–	–	–	(8.3)	(8.3)
Shareholders' equity as at 28 December 2012	5.7	17.4	99.3	(7.2)	(70.6)	44.6
Profit for the 52 weeks ended 27 December 2013	–	–	–	–	40.4	**40.4**
Actuarial loss on defined benefit plans	–	–	–	–	(2.0)	**(2.0)**
Tax on pensions	–	–	–	–	0.5	**0.5**
Total comprehensive income	–	–	–	–	38.9	**38.9**
Effects of employee share options	–	–	–	1.5	–	**1.5**
Tax on employee share options	–	–	–	1.1	–	**1.1**
Proceeds from share issue	0.2	24.0	–	–	–	**24.2**
Issue costs in respect of shares issued	–	(0.9)	–	–	–	**(0.9)**
Issue of shares under LTIP scheme(i)	–	1.7	–	–	–	**1.7**
Gift to Employee Benefit Trust	–	–	–	(1.7)	–	**(1.7)**
Issue of shares under SAYE scheme(ii)	0.1	0.9	–	–	–	**1.0**
Adjustment for tax rate change 23% to 20%	–	–	–	(0.1)	–	**(0.1)**
Issue of B Shares in respect of Capital Option (see note 7)	–	(22.3)	–	–	–	**(22.3)**
Redemption of B Shares in respect of Capital Option (see note 7)	–	–	22.3	–	(22.3)	**–**
Dividend in respect of Special Dividend Option (see note 7)	–	–	–	–	(39.6)	**(39.6)**
Dividends (see note 7)	–	–	–	–	(6.2)	**(6.2)**
Shareholders' equity as at 27 December 2013	**6.0**	**20.8**	**121.6**	**(6.4)**	**(99.8)**	**42.2**

(i) Relating to issue of 253,844 shares under 2010 LTIP scheme.
(ii) Relating to issue of 141,981 shares under 2010 SAYE scheme.

The above amounts relate to transactions with owners of the Company except for the profit for the period and also pension items (net of tax) of £1.5 million loss (December 2012: £0.7 million loss).

Capital redemption reserve

The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day, £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010 and £22,263,112 B Shares that were issued on 12 August 2013 and redeemed for cash on 20 August 2013.

Other reserves

Other reserves includes movements relating to the Group's SAYE and LTIP schemes and associated deferred tax, together with a £12.3 million merger reserve.

Consolidated statement of cash flows

for the 52 week period ended 27 December 2013

	Note	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Cash flows from operating activities			
Cash generated from operations before external transaction costs and exceptional pension contributions	25	**94.2**	83.3
Exceptional contribution to pension scheme		**(1.0)**	–
External transaction costs in respect of acquisitions		**(1.6)**	(1.0)
Cash generated from operations		**91.6**	82.3
Finance income received		**0.6**	0.3
Finance costs paid		**(25.0)**	(12.6)
Transfer from restricted bank accounts for finance costs		**11.9**	–
Payments to restricted bank accounts for finance costs	15	**(14.6)**	(11.9)
Total payments in respect of finance costs		**(27.7)**	(24.5)
Tax paid		**(10.9)**	(8.6)
Transfers from restricted bank accounts		**1.5**	–
Net cash generated from operating activities		**55.1**	49.5
Cash flows from investing activities			
Acquisition of subsidiaries and businesses (net of cash acquired)	26	**(60.7)**	(10.7)
Proceeds from sale of property, plant and equipment		**0.6**	0.8
Vehicle replacement programme and improvements to locations		**(14.2)**	(11.8)
Branch relocations		**(1.1)**	(1.0)
Satellite locations		**(0.3)**	(1.3)
Development of new crematoria		**(2.0)**	(4.4)
Mercury abatement project		**(0.6)**	(1.9)
Purchase of property, plant and equipment		**(18.2)**	(20.4)
Net cash used in investing activities		**(78.3)**	(30.3)
Cash flows from financing activities			
Proceeds from issue of Secured Notes		**97.7**	–
Proceeds from borrowings		**39.8**	–
Issue costs in respect of borrowings and Secured Notes		**(5.4)**	–
Proceeds from share issued		**25.2**	–
Issue costs in respect of shares issued		**(0.9)**	–
Repayment of borrowings		**(42.6)**	(4.1)
Transfer from restricted bank accounts for repayment of borrowings		**4.2**	–
Payments to restricted bank accounts for repayment of borrowings	15	**(5.7)**	(4.2)
Total payments in respect of borrowings		**(44.1)**	(8.3)
Dividends paid to shareholders on Ordinary Shares	7	**(6.2)**	(8.3)
Redemption of B Shares in respect of Capital Option	7	**(22.3)**	–
Redemption of C Shares in respect of Special Dividend Option	7	**(39.6)**	–
Net cash generated/(used) in financing activities		**44.2**	(16.6)
Net increase in cash and cash equivalents		**21.0**	2.6
Cash and cash equivalents at the beginning of the period		**38.0**	35.4
Cash and cash equivalents at the end of the period	15	**59.0**	38.0
Restricted cash	15	**20.3**	17.6
Collateralisation of Liquidity Facility (restricted)	15	**63.0**	–
Cash and cash equivalents at the end of the period as reported in the consolidated balance sheet	15	**142.3**	55.6

Notes to the financial statements

for the 52 week period ended 27 December 2013

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

European law requires that the Group's consolidated financial statements for the 52 week period ended 27 December 2013 are prepared in accordance with all applicable International Financial Reporting Standards ('IFRSs'), as adopted by the European Union. These financial statements have been prepared in accordance with IFRS, International Financial Reporting Interpretations Committee ('IFRIC') interpretations (as issued by the International Accounting Standards Board) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements are prepared on a going concern basis and have been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value through the income statement.

Preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. This will also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from those estimates.

Basis of consolidation

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Results of subsidiary undertakings acquired during the period are included from the effective date of control using the acquisition method of accounting. The separable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Exceptional items

Exceptional items are of a non-recurring nature to the results for the period and are therefore presented separately. In both periods exceptional items relate to the exceptional credit due to the change to the headline rate of corporation tax.

External transaction costs

External transaction costs are of a non-recurring nature to the results for the period and are therefore presented separately. They relate wholly to external costs incurred by the Group.

Pre-arranged funeral plan trusts

The five pre-arranged funeral plan trusts were not consolidated during the period as they were not controlled by the Group. Specifically, Article 60 of the Financial Services and Markets Act 2000 ('Regulated Activities') Order 2001 requires a majority of the managing trustees to be independent of the Group. Furthermore, the Group did not direct their financial and operating policies, nor did it have substantially all of the risks and rewards of their ownership.

Revenue

Revenue from funeral operations comprises the amount recoverable from customers for the provision of funerals, income from crematoria and other services, to the extent that those services have been performed or the goods supplied.

Revenues include amounts receivable from the pre-arranged funeral plan trusts for funerals performed by the Group for pre-arranged funeral plan members.

Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. Costs of maintaining memorials are recognised as incurred.

The accounting policies for recognising turnover for pre-arranged funeral plans are stated below. The Group pays certain disbursements such as crematoria fees, burial plots, ministers' fees and doctors' fees on behalf of its clients. These amounts are recovered as part of the invoicing process. However, these amounts are not included within net revenues as they are simply passed on to the customer at cost.

The Group views the United Kingdom as one geographical segment, given each local business exhibits similar long-term characteristics.

All amounts are exclusive of VAT.

1 Accounting policies (continued)

Pre-arranged funeral plans

Trust plans
The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held and controlled by independent pre-arranged funeral plan trusts (the 'Trusts'). The responsibility for the ultimate performance of funerals is allocated to funeral directors, who are selected by the beneficiary of the plan and some of whom are not owned by the Group.

The Group receives monies from the Trusts in respect of the following transactions:

- A marketing and administration allowance in respect of each plan sold. The marketing element is only refundable in the event that the plan is subsequently cancelled. A provision is made for cancellations based on historical experiences, where material, to cover the estimated marketing element refundable to the Trusts. Marketing and administration allowances are included in Group revenue when the related plan is sold less the provision for refunds arising on cancellations; and
- Further contributions are also received from the Trusts in return for the provision of general ongoing administrative services supplied to the Trusts. These contributions are included in Group revenue for the period to which they relate.

All costs in respect of the marketing and administration of the pre-arranged funeral plans are expensed in the Group income statement as incurred.

From time to time, the Group receives monies from certain of the Trusts, in line with the relevant Trust's deed, which have been assessed by the trustees as not required to ensure the Trust has sufficient assets to meet its future liabilities in respect of current members ('Recoveries'). All Recoveries are recognised as other income in the period in which the trustees approve their payment.

The Group makes payments on behalf of the Trusts relating to the ongoing overheads of the Trusts, refunds to members of the Trusts in event of cancellation, and the payments made to third party funeral directors when the funeral is ultimately performed. All such payments are reimbursed in full by the Trusts on demand, in accordance with the terms of the relevant Trust's deed.

Neither the sales value of plans nor the costs of providing funerals are recognised in the financial statements of the Group when a pre-arranged funeral plan is sold.

Each Dignity marketing company contractually guarantees with the customer of a pre-arranged funeral plan that (i) if the customer chooses to cancel their selected funeral plan, a full refund will be made to the customer of all monies paid in respect thereof (less in certain cases an administration fee payable to the relevant Dignity marketing company); (ii) the funeral director's services (as selected by the customer) will be provided regardless of price rises in the future; and (iii) for certain plans sold, specific disbursements will be provided regardless of price rises in the future.

Insurance plans
The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies, in consideration for which the Group has committed to performing the funeral (including some disbursements) of the plan holder at no further charge.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a receivable and expensed when the funeral is performed.

In the event of death of the policyholder, the Group makes an agreed payment to the nominated funeral director and a receivable is recognised. At this time a commission fee is recognised as turnover. All monies are reclaimed in full from the life insurance company.

Share-based payments
The Group issues equity settled share–based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award, which include Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately. When the options are exercised the Company issues new shares.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

1 Accounting policies (continued)

Earnings per Ordinary Share

Basic Earnings per Ordinary Share ('EPS') is calculated by dividing the profit on ordinary activities after taxation by the weighted average number of shares in issue during the period. Diluted EPS is calculated by dividing profit on ordinary activities after taxation by the weighted average number of shares in issue during the period increased by the effects of all dilutive potential Ordinary Shares (primarily share options). Underlying Earnings per Ordinary Share is calculated by dividing the underlying profit after tax by the weighted average number of shares in issue during the period.

Intangible assets – goodwill

Goodwill, which represents the excess of the fair value of the consideration for subsidiaries and other businesses over the fair values of the net assets acquired and liabilities assumed, is capitalised and stated at historical cost less provisions for impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The business and subsidiaries acquired are generally combined with existing operations in the year of acquisition, or the year thereafter and are therefore only considered to be separate cash-generating units during this time.

Intangible assets – trade names

Intangible trade names are recognised as assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment. When acquired as part of a business combination the fair value is calculated by reference to the estimated incremental cash flows expected to arise by virtue of the trade name being well-established.

Amortisation is provided from the date of acquisition so as to write-off the asset on a straight line basis over the term of its useful life. Where there are indicators that a trade name has an indefinite life then these assets are not amortised but are subject to annual impairment reviews. The factors that indicate an indefinite life of trade names acquired include the fact that the Group is a significant operator in a well-established market with inelastic demand, the conservative nature of the UK funeral industry that acts as a barrier to entry for new trade names, and the Group's track record for actively monitoring and relocating trade names to combat shifting demographics. In addition, when allocating a useful life to acquired trade names, the following matters are considered:

- The strength of the trade name in its local environment which is assessed by reference to relative market share and anticipated profitability;
- The likelihood that market based factors could truncate a trade name's life such as competition and shifting demographics and the Group's ability to combat these;
- The length of time, prior to acquisition, for which trade has been conducted under the name acquired; and
- The likely support the Group will give to the name in its local environment through marketing and promotion, maintaining community awareness etc.

The useful lives of all capitalised trade names are considered to be indefinite and are reviewed on an annual basis.

Intangible assets – non-compete contracts

Non-compete contracts arising from business combinations are capitalised at the fair value, which is calculated as the present value of any consideration paid discounted at the Group's cost of capital.

All costs are amortised over the term of the relevant agreement on a straight line basis.

Intangible assets – software

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring into use the specific software.

An internally generated intangible asset arising from the Group's development of computer systems (including websites) is recognised if and only if the costs are directly associated with the production of identifiable and unique software products, controlled by the Group and it is probable that future economic benefits will flow to the Group. All other costs incurred in research or development are expensed as incurred. Capitalised costs will include, where appropriate, directly attributable payroll costs and a portion of direct overheads.

Costs recognised as assets are amortised over their estimated useful lives (three to eight years) using the straight line method.

1 Accounting policies (continued)

Intangible assets – use of third party brand name
The Group has a marketing agreement with Age UK Enterprises Limited, giving rights to market pre-arranged funeral plans under the Age UK brand. The value of this right has been recognised as a separate intangible asset.

This asset is being amortised over twenty years on a straight line basis, recognising that each year's additional marketing activity generates incremental revenues and profits to the Group for at least the following twenty years.

Property, plant and equipment
Assets are recorded in the balance sheet at cost less accumulated depreciation and any recognised impairment loss. Cost includes, where appropriate, directly attributable costs incurred in bringing each asset to its present location and condition.

Depreciation is charged (excluding freehold land and assets in the course of construction) so as to write off the cost of assets to their residual value, over their expected useful lives using the straight line method. The bases and annual depreciation rates in use for the various classes of assets are as follows:

Freehold and long leasehold buildings	2% – 10%
Short leasehold buildings	Over term of lease
Motor vehicles	11% – 20%
Computers	20%
Other plant and equipment	5% – 33%
Fixtures and fittings	15%

Freehold land is not depreciated on the basis that land has an unlimited life. Where the historical cost of land and buildings cannot be split, the Directors have estimated that the historical cost attributable to land is one third (based on historical data) of the original cost of acquiring the land and buildings. This estimate is regularly reviewed.

Major renovations of the Group's trading premises and cremator re-linings are depreciated over the remaining life of the related asset or to the estimated date of the next major renovation or cremator re-lining, whichever is sooner. Asset lives and residual values for each class of asset are reviewed annually and adjusted if appropriate at each balance sheet date.

Borrowing costs
If the construction phase of property, plant or equipment extends over a long period, the interest incurred on borrowed capital up to the date of completion is capitalised as part of cost of construction in accordance with IAS 23 (Borrowing Costs).

Repairs and renewals
All repairs and renewals are charged to the income statement unless they represent an enhancement to the original asset.

Property, plant and equipment held under leases
When assets are financed by leasing agreements, where the risks and rewards are substantially transferred to the Group, the assets are treated as if they had been purchased outright and the corresponding liability to the lessor is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement so as to achieve a constant rate on the outstanding lease obligation.

All other leases are 'operating leases' and the relevant annual rentals are charged to the income statement.

Profit (or loss) on sale of fixed assets
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit (or loss) on sale of fixed assets in the income statement.

Impairment of assets
The carrying values of intangible assets and property, plant and equipment are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment.

Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. For goodwill this is considered at a business segment level as that is the level at which the return on assets acquired is monitored. For other intangibles (principally trade names) this is considered at a regional level for each business segment as this is the level where cash inflows are largely independent. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future discounted cash flows of the cash-generating unit are estimated, based on latest management expectations for the following year and an annual growth rate in subsequent years. These cash flows are discounted at rates that management estimate to be the risk affected average cost of capital for the particular segment and compared to the carrying value of the relevant asset. Any impairment in the value of an asset below its carrying value is charged to the income statement within operating profit. A reversal of an impairment loss is recognised in the income statement to the extent that the original loss was recognised.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

1 Accounting policies (continued)

Inventories

Inventories, which comprise funeral supplies and monumental masonry, are stated at the lower of cost and net realisable value. Cost includes all directly attributable costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred in completion and sale.

Taxation

The tax charge for the period includes the charge for tax currently payable and deferred tax. The current tax charge represents the estimated amount due that arises from the operations of the Group in the period and after making adjustments to estimates in respect of prior years.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are offset to generate a net asset or liability.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of intangibles arising from a business combination that does not involve the acquisition of a subsidiary.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date.

Pensions

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the amount of the obligation.

Provisions (other than deferred tax) are discounted where the present value of the provision is materially different to the undiscounted value. The unwinding of discounts is included within finance costs.

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. In accordance with IFRS 2, share-based payment, the trust's assets and liabilities are recognised in the Group's balance sheet within share capital and reserves.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Foreign currency

Foreign currency transactions recognised in the income statement are translated into Sterling at the exchange rate on the date the transaction took place.

1 Accounting policies (continued)

Financial instruments

Borrowings
All borrowings are stated at the fair value of consideration received after deduction of transaction costs and subsequently at amortised costs. The transaction costs, interest payable and premium on debt finance are charged/credited to the income statement, as finance costs/income, on a constant-yield basis over the term of the borrowings, or over a shorter period where it is more likely than not that the lender will require earlier repayment using the effective interest method.

Early termination costs on borrowings
Premiums and discounts arising on the early repayment of borrowings are written-off to the income statement as incurred.

Interest rate swaps
The Group currently uses several types of financial instruments as part of an overall interest rate risk management strategy. It does not enter into financial instruments for trading purposes. Interest rate risk associated with net debt is managed by using a combination of fixed and floating rate borrowings and financial liabilities. The cash flows from, and losses arising on terminations of, these contracts are recognised as cash flows from operating activities. See note 16(d) for further information.

Trade receivables
Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost. A provision for impairment is established based on historical experience. When a trade receivable is not collectable it is written-off against the allowance account. Subsequent recovery of amounts previously written-off are credited against administrative expenses in the income statement.

Trade payables
Trade payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct transaction costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits and amounts included in accounts restricted for specific uses.

Critical accounting estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the recoverability of receivables, post-retirement benefits, the recognition and measurement of goodwill and other intangible assets.

Provision for doubtful trade receivables
Provision is made against accounts that in the estimation of management may be impaired. Within each division, assessment is made of the recoverability of trade receivables based on a range of factors including the age of the receivable and the type of services provided. The provision is assessed monthly against actual experience of irrecoverable accounts and adjusted if appropriate.

Pensions
The Group operates a defined benefit pension scheme that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet, income statement and consolidated statement of comprehensive income. The Group considers that the most significant assumptions are the discount rate and the inflation rate. See note 28 for further details.

Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 ‘Impairment of assets’. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations however, acquisitions in the period have been determined using fair value less cost to sell. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary from those calculated. See note 9 for further details.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

1 Accounting policies (continued)

Other intangible assets

The decision process to ascertain whether trade names will have an indefinite life are detailed in note 1 'Intangible assets – trade names'. These assets with an indefinite life are reviewed for impairment on an annual basis. When a review for impairment is conducted, the recoverable amount is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. See note 9 for further details.

Acquisition of companies

In accounting for business combinations, the identifiable assets, liabilities and contingent liabilities acquired have to be measured at their fair values. In particular, some judgement is required in estimating the split between intangible assets and goodwill and determining the fair value of properties. Details concerning acquisitions of companies are outlined in note 26.

Non consolidation of pre-need trusts

The Group markets and sells pre-arranged funeral plans, with monies received from selling funeral plans being held by independent pre-arranged funeral plan trusts. These trusts are not consolidated by the Group, on the basis they do not control them. The principle of non-consolidation was established many years ago, and therefore the Directors consider annually whether there have been any changes to terms and conditions, or accounting standards that would change this determination.

For new trusts acquired in the period, the Directors consider the terms and conditions to determine whether non-consolidation is appropriate.

Standards, amendments and interpretations effective in 2013

IAS 1, Financial statement presentation, regarding other comprehensive income. This amendment requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, Employee benefits was amended in June 2011. The main impact on the Group was as follows: to immediately recognise all past service costs and to replace interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset. See note 28 for the impact on the financial statements.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The following interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 27 December 2013 or later periods but which the Group has not early adopted:

IAS 32 (amendment), Financial instruments: Presentation and IFRS 7, Financial instruments disclosure on asset and liability offsetting, effective 1 January 2014. These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. This is not expected to have any impact on the Group.

IAS 36 (amendment), Impairment of assets: on the recoverable amount disclosures for non-financial assets, effective 1 January 2014. This amendment removes certain disclosures of the recoverable amount of CGUs which has been included in IAS 36 by the issue of IFRS 13. This is not expected to have any impact on the Group.

IFRS 9, Financial instruments (to replace) IAS 39, Financial instruments: Recognition and measurement. This standard introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for financial assets. The standard is not applicable until 1 January 2015 subject to endorsement by the EU. The impact of this standard is currently being assessed.

IFRS 10, Consolidated financial statements, effective 1 January 2014, builds on existing principals by identifying the concept on control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. This is not expected to have any impact on the Group.

IFRS 11, Joint arrangements, effective 1 January 2014, focuses on the rights and obligations of the parties to the arrangement rather than its legal form. The Group has no joint arrangements so there is no impact on the Group.

IFRS 12, Disclosure of interests in other entities, effective 1 January 2014. This standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess the full impact of this standard but it is not expected to have a significant impact on the Group.

1 Accounting policies (continued)

IFRIC 21, Levies, sets out the accounting for an obligation to pay a levy that is not income tax, effective 1 January 2014. The interpretation addresses what the obligation events that give rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Financial risk management

The Group finances its operations by a mixture of shareholders' funds, Secured Notes and bank borrowings. This approach seeks to minimise financing costs and generate optimum shareholder value through efficient leveraging of the Group's balance sheet, which is made possible by the stable and predictable cash-generative nature of the business.

It is not the Group's policy to actively trade in derivatives.

Market risk

Currency risk

All the Group's financial assets and liabilities are denominated in Sterling. The Group purchases minimal amounts from overseas. Accordingly, exposure to currency fluctuations are not significant and therefore not actively managed.

Interest rate risk and other price risk

The Group's main borrowings consist of Class A and B Secured Notes, which are at fixed interest rates, resulting in a predetermined repayment profile. The fair value of these financial instruments is based on underlying gilt prices and yield spreads based on the market's current view of the risk profile of the Secured Notes. Consequently, the fair value of these instruments will fluctuate. Fair values are not relevant to the Group unless it was to change its funding strategy and repay the Secured Notes early.

The Group is also fully drawn on a £15.8 million Crematoria Acquisition Facility. The principal on the facility is repayable in one amount in February 2018 and interest is fixed at approximately 3.3 per cent. All interest is payable in cash on a quarterly basis. Consequently, the Group carries limited risk to increases in LIBOR on this facility.

The Group has significant cash balances that are held by institutions rated at least A-1 by Standard and Poor's. These balances earn interest by reference to the Bank of England base rate. If interest rates reduced by one per cent at the beginning of 2013 then the Group would receive £0.1 million less interest income on an annualised basis for each £10.0 million held.

None of the Group's other financial liabilities or financial assets carry any significant interest rate risk.

Credit risk

Trade receivables are the main source of credit risk to the Group. However, this risk is minimised as much as possible through well-established credit control procedures. Quantitative disclosures regarding the ageing of these receivables are included in note 21(c).

Liquidity risk

The Group manages its liquidity risk by maintaining sufficient cash reserves, committed undrawn borrowing facilities and regular monitoring and forecasting of cash balances. In addition, the Group is required under the terms of its secured borrowings to maintain a precisely defined EBITDA to total debt service ratio of at least 1.5 times. This ratio was determined when raising the debt as being sufficient to ensure all borrowings could be repaid. This covenant test has been satisfied on each quarterly testing date in the period. At 27 December 2013 the actual ratio was 2.46 times (2012: 2.43 times).

Capital risk management

The Group's objective under managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and repay holders of Class A and B Secured Notes. It also aims to reduce its cost of capital by maintaining an optimal capital structure. The Group's capital comprises equity and net debt as set out in note 24. The Group's principal source of long-term debt financing is the Class A and B Secured Notes, rated A and BBB respectively by Standards & Poor's and A+ and BBB+ respectively by Fitch.

The Group monitors its capital structure based on gross debt, as summarised in note 24, to underlying earnings before interest, taxation, depreciation and amortisation.

In order to achieve these objectives, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or issue further Class A and B Secured Notes.

During the period, the Group achieved its covenants under the terms of the Group's secured borrowings (see 'Liquidity risk' above).

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

3 Revenue and segmental analysis

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker of the Group has been identified as the four Executive Directors. The Group has three reporting segments, funeral services, crematoria and pre-arranged funeral plans. The Group also reports central overheads, which comprise unallocated central expenses.

Funeral services relate to the provision of funerals and ancillary items, such as memorials and floral tributes.

Crematoria services relate to cremation services and the sale of memorials and burial plots at the Dignity operated crematoria and cemeteries.

Pre-arranged funeral plans represent the sale of funerals in advance to customers wishing to make their own funeral arrangements and the marketing and administration costs associated with making such sales.

Substantially all Group revenue is derived from, and substantially all of the Group's net assets are located in, the United Kingdom and Channel Islands and relates to services provided. Overseas transactions are not material.

Underlying profit is stated before profit or loss on sale of fixed assets, external transaction costs and exceptional items. Underlying operating profit is included as it is felt that adjusting operating profit for these items provides a useful indication of the Group's performance.

The operating profit (which includes Recoveries within pre-arranged funeral plans of £nil (2012: £1.5 million)), by segment, was as follows:

52 week period ended 27 December 2013	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Loss on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services – existing	166.3	66.0	(8.3)	57.7	(0.1)	57.6
Funeral services – acquisitions	9.9	3.7	(0.6)	3.1	(1.7)	1.4
Funeral services	176.2	69.7	(8.9)	60.8	(1.8)	59.0
Crematoria – existing	52.1	29.4	(3.0)	26.4	–	26.4
Crematoria – acquisitions	1.7	1.0	–	1.0	–	1.0
Crematoria	53.8	30.4	(3.0)	27.4	–	27.4
Pre-arranged funeral plans	26.7	6.8	(0.1)	6.7	–	6.7
Central overheads	–	(16.0)	(0.5)	(16.5)	(1.5)	(18.0)
Group	256.7	90.9	(12.5)	78.4	(3.3)	75.1
Finance costs				(28.9)	–	(28.9)
Finance income				3.4	–	3.4
Profit before tax				52.9	(3.3)	49.6
Taxation – continuing activities				(12.9)	0.2	(12.7)
Taxation – exceptional				–	3.5	3.5
Taxation				(12.9)	3.7	(9.2)
Underlying earnings for the period				40.0		
Total other items					0.4	
Profit after taxation						40.4

Earnings per share for profit attributable to equity shareholders		
– Basic and diluted (pence)	72.1p	72.8p

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 27 December 2013	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	**329.5**	**130.6**	**18.2**	**2.8**	**481.1**
Unallocated assets:					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility					**79.3**
Cash and cash equivalents – collateralisation of Liquidity Facility					**63.0**
Cash and cash equivalents					**142.3**
Total assets					**623.4**
Segment liabilities	**(27.7)**	**(6.5)**	**(6.3)**	**(6.6)**	**(47.1)**
Unallocated liabilities:					
Borrowings – excluding finance leases					**(423.2)**
Collateralisation of Liquidity Facility					**(63.0)**
Accrued interest					**(14.3)**
Corporation tax					**(6.7)**
Deferred tax					**(26.9)**
Total liabilities					**(581.2)**
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	**72.8**	**4.4**	**–**	**1.5**	**78.7**
Depreciation (note 10)	**8.9**	**3.0**	**–**	**0.4**	**12.3**
Amortisation (note 9)	**–**	**–**	**0.1**	**0.1**	**0.2**
Impairment of trade receivables (note 21 (c))	**2.1**	**0.1**	**–**	**–**	**2.2**
Other non cash expenses (note 23)	**–**	**–**	**–**	**1.5**	**1.5**
Loss on sale of fixed assets	**(0.1)**	**–**	**–**	**–**	**(0.1)**

The revenue and operating profit, by segment, was as follows:

52 week period ended 28 December 2012	Revenue £m	Underlying operating profit before depreciation and amortisation £m	Depreciation and amortisation £m	Underlying operating profit/(loss) £m	Profit on sale of fixed assets, external transaction costs and exceptional items £m	Operating profit/(loss) £m
Funeral services	157.9	61.7	(7.5)	54.2	(0.5)	53.7
Crematoria	46.6	25.9	(2.6)	23.3	(0.2)	23.1
Pre-arranged funeral plans	25.1	6.7	(0.2)	6.5	–	6.5
Central overheads	–	(14.2)	(0.4)	(14.6)	–	(14.6)
Group	229.6	80.1	(10.7)	69.4	(0.7)	68.7
Finance costs				(25.8)	–	(25.8)
Finance income				2.5	–	2.5
Profit before tax				46.1	(0.7)	45.4
Taxation – continuing activities				(11.7)	–	(11.7)
Taxation – exceptional				–	2.0	2.0
Taxation				(11.7)	2.0	(9.7)
Underlying earnings for the period				34.4		
Total other items					1.3	
Profit after taxation						35.7
Earnings per share for profit attributable to equity shareholders						
– Basic and diluted (pence)				62.8p		65.1p

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

3 Revenue and segmental analysis (continued)

The segment assets and liabilities were as follows:

As at 28 December 2012	Funeral services £m	Crematoria £m	Pre-arranged funeral plans £m	Central overheads £m	Group £m
Segment assets	262.5	124.0	17.2	2.7	406.4
Unallocated assets:					
Cash and cash equivalents					55.6
Total assets					462.0
Segment liabilities	(24.7)	(5.7)	(6.1)	(6.0)	(42.5)
Unallocated liabilities:					
Borrowings – excluding finance leases					(333.9)
Accrued interest					(11.7)
Corporation tax					(5.1)
Deferred tax					(24.2)
Total liabilities					(417.4)
Other segment items:					
Additions to non-current assets (other than financial instruments and deferred tax)	20.7	8.4	–	1.5	30.6
Depreciation (note 10)	7.5	2.6	–	0.4	10.5
Amortisation (note 9)	–	–	0.2	–	0.2
Impairment of trade receivables (note 21(c))	1.3	0.1	–	–	1.4
Other non cash expenses (note 23)	–	–	–	1.2	1.2
Profit on sale of fixed assets	0.1	–	–	–	0.1

4 Net finance costs

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Finance costs		
Class A and B Secured Notes	**22.4**	23.0
Class A and B Secured Notes – issued 2013	**2.3**	–
Amortisation of issue costs	**1.6**	1.6
Amortisation of issue costs – issued 2013	**0.2**	–
Crematoria Acquisition Facility	**0.6**	0.5
Term loan	**0.7**	–
Other loans	**0.6**	0.4
Interest payable on finance leases	**0.1**	0.1
Unwinding of discounts	**0.4**	0.4
Finance costs	**28.9**	26.0
Less: interest capitalised (note 10)	**–**	(0.2)
Net finance costs	**28.9**	25.8
Finance income		
Bank deposits	**(0.5)**	(0.4)
Release of premium on Secured Notes	**(1.9)**	(1.9)
Release of premium on Secured Notes – issued 2013	**(1.0)**	–
Net finance income on retirement benefit obligations (note 28)	**–**	(0.2)
Finance income	**(3.4)**	(2.5)
Net finance costs	**25.5**	23.3

5 Profit before tax

Analysis by nature	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
The following items have been included in arriving at profit before tax:		
Staff costs (note 27)	**78.6**	71.3
Cost of inventories recognised as an expense (included in cost of sales) (note 13)	**14.6**	13.1
Depreciation of property, plant and equipment – owned assets (note 10)	**12.3**	10.5
Amortisation of intangible assets (included in administrative expenses) (note 9)	**0.2**	0.2
Operating lease rentals – property	**8.3**	7.9
External transaction costs	**3.2**	0.8
Recoveries (included within other income)	**–**	(1.5)
Trade receivables impairment (included in administrative expenses) (note 21(c))	**2.2**	1.4
Services provided by the Group's auditors and its associates:		
Fees payable to the Company's auditors for the audit of parent company and consolidated financial statements	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	**0.1**	0.1
– Tax advisory services	**0.1**	0.4
– Other advisory services	**0.6**	–
	0.9	0.6

The external transaction costs comprise of £1.1 million in respect of the Yew Acquisition, £1.6 million in respect of the further issue of Secured Notes and Return of Cash and £0.5 million (2012: £0.8 million) of other external acquisition expenses. The impact on taxation on these is a credit of £0.2 million (2012: £nil).

During 2013, the Group paid fees of £1.2 million to the Group's auditor in connection with the other non audit services. See the Audit Committee report for further details. Costs of £0.7 million have been expensed and £0.5 million has been deferred in accordance with IAS 39.

6 Taxation

Analysis of charge in the period	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Current tax – current period	**13.3**	10.9
Adjustments for prior period	**(0.2)**	0.2
Total corporation tax	**13.1**	11.1
Deferred tax – current period	**(0.6)**	0.5
Adjustments for prior period	**0.2**	0.1
Exceptional adjustment for rate change – 23% to 20% (2012: 25% to 23%)	**(3.5)**	(2.0)
Total deferred tax	**(3.9)**	(1.4)
Taxation	**9.2**	9.7

Tax on items charged to equity	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Deferred tax credit on actuarial losses on retirement benefit obligations	**(0.2)**	(0.2)
Deferred tax (credit)/charge relating to maturity of option schemes	**(0.4)**	0.2
Corporation tax credit on actuarial losses on retirement benefit obligations	**(0.3)**	–
Corporation tax (credit)/charge relating to maturity of option schemes	**(0.7)**	0.2
Adjustment for rate change – 23% to 20% (2012: 25% to 23%)	**0.1**	(0.1)
	(1.5)	0.1

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

6 Taxation (continued)

The taxation charge in the period is lower (2012: lower) than the standard rate of corporation tax in the UK of 23.25 per cent (2012: 24.5 per cent). The differences are explained below:

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Profit before taxation	**49.6**	45.4
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	**11.5**	11.1
Effects of:		
Adjustments in respect of prior period	**–**	0.3
Exceptional adjustment in respect of closing deferred tax rate change – 23% to 20% (2012: 25% to 23%)	**(3.5)**	(2.0)
Expenses not deductible for tax purposes	**1.2**	0.3
Total taxation	**9.2**	9.7

Under IFRS the tax rate is lower (2012: lower) than the standard UK tax rate of 23.25 per cent (2012: 24.5 per cent) principally due to the exceptional adjustments in both periods. Without these exceptional adjustments the rate would be higher (2012: higher) due to a combination of the impact of disallowable trading expenses and expenditure on the Group's premises that does not attract any deductions for tax purposes. The standard rate of corporation tax in the UK changed from 24 per cent to 23 per cent with effect from 1 April 2013. Accordingly the Group's profits for this accounting period are taxed at an effective rate of 24.5 per cent (2012: 25.5 per cent).

In addition to the changes in rates of corporation tax disclosed above legislation to reduce the main rate of corporation tax from 23 per cent to 21 per cent from 1 April 2014 and then to 20 per cent from 1 April 2015 were substantively enacted at the balance sheet date and so the deferred tax balance has been calculated at 20 per cent. As a result, the Group recognised exceptional tax income of £3.5 million (2012: £2.0 million) through its income statement to reflect the one off reduction in the period of the Group's deferred tax position.

7 Dividends

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Final dividend paid: 10.75p per Ordinary Share (2012: 9.77p)	**6.2**	5.4
Interim dividend paid: nil per Ordinary Share (2012: 5.36p)	**–**	2.9
Dividend on Ordinary Shares	**6.2**	8.3

On 9 August 2013, the Group returned a total of £61.9 million to ordinary shareholders equating to £1.08 for each Ordinary Share held following the issue of further Secured Notes. Ordinary shareholders were able to elect to receive this Return of Cash as either:

(a) A return of capital (the 'Capital Option').

(b) A special dividend (the 'Special Dividend Option').

Ordinary shareholders elected to receive £22.3 million as a return of capital and £39.6 million as a special dividend.

The interim dividend represents the interim dividend that was approved and paid in the period out of earnings generated in the same period. No interim dividend was paid in the period as it was included within the Return of Cash.

The final dividend represents the final dividend that was approved and paid in the period relating to the earnings generated in the previous period.

Consequently, total dividends recognised in the period were £68.1 million, 118.75 pence per share (2012: £8.3 million, 15.13 pence per share).

A final dividend of 11.83 pence per share, in respect of 2013, has been proposed by the Board. This will be paid on 27 June 2014 provided that approval is gained from shareholders at the Annual General Meeting on 5 June 2014 and will be paid to shareholders on the register at close of business on 23 May 2014.

8 Earnings per share

The calculation of basic earnings per Ordinary Share has been based on the profit for the relevant period.

For diluted earnings per Ordinary Share, the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares.

The Group has two classes of potentially dilutive Ordinary Shares being those share options granted to employees under the Group's SAYE Scheme and the contingently issuable shares under the Group's LTIP Schemes. At the balance sheet date, the performance criteria for the vesting of the awards under the LTIP Schemes had not been met and these contingently issuable shares have been excluded from the diluted EPS calculations.

The Board believes that profit on ordinary activities before profit (or loss) on sale of fixed assets, external transaction costs, exceptional items and after taxation is a useful indication of the Group's performance, as it excludes significant non–recurring items. This reporting measure is defined as 'Underlying profit after taxation'.

Accordingly, the Board believes that earnings per share calculated by reference to this underlying profit after taxation is also a useful indicator of financial performance.

In August, shareholders approved a share capital consolidation together with a Special dividend of £1.08 per Ordinary Share. The overall effect of the transaction was that of a share repurchase at fair value. The reduction in the number of Ordinary Shares is the result of a corresponding reduction in resources.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

	Earnings £m	Weighted average number of shares millions	Per share amount pence
52 week period ended 27 December 2013			
Profit attributable to shareholders – Basic and diluted EPS	**40.4**	**55.5**	**72.8**
Deduct: Exceptional items, loss on sale of fixed assets and external transaction costs (net of taxation of £0.2 million)	**(0.4)**		
Underlying profit after taxation – Basic EPS	**40.0**	**55.5**	**72.1**
52 week period ended 28 December 2012			
Profit attributable to shareholders – Basic and diluted EPS	35.7	54.8	65.1
Deduct: Exceptional items, profit on sale of fixed assets and external transaction costs (net of taxation of £nil million)	(1.3)		
Underlying profit after taxation – Basic EPS	34.4	54.8	62.8

In 2013 and 2012, the potential issue of new shares pursuant to the Group's share option plans would have no impact on the calculation of earnings per share.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

9 Goodwill and other intangible assets

	Trade names £m	Use of third party brand name £m	Software £m	Non-compete agreements £m	Sub-total £m	Goodwill £m	Total £m
Cost							
At 30 December 2011	43.7	3.2	4.0	0.2	51.1	148.0	199.1
Acquisition of subsidiaries and other businesses	7.3	–	–	–	7.3	3.1	10.4
At 28 December 2012	51.0	3.2	4.0	0.2	58.4	151.1	209.5
Acquisition of subsidiaries and other businesses (note 26(a))	23.5	–	–	–	23.5	22.6	46.1
At 27 December 2013	**74.5**	**3.2**	**4.0**	**0.2**	**81.9**	**173.7**	**255.6**
Accumulated amortisation							
At 30 December 2011	–	(0.7)	(3.9)	(0.2)	(4.8)	–	(4.8)
Amortisation charge	–	(0.2)	–	–	(0.2)	–	(0.2)
At 28 December 2012	–	(0.9)	(3.9)	(0.2)	(5.0)	–	(5.0)
Amortisation charge	–	(0.1)	(0.1)	–	(0.2)	–	(0.2)
At 27 December 2013	**–**	**(1.0)**	**(4.0)**	**(0.2)**	**(5.2)**	**–**	**(5.2)**
Net book amount at 27 December 2013	**74.5**	**2.2**	**–**	**–**	**76.7**	**173.7**	**250.4**
Net book amount at 28 December 2012	51.0	2.3	0.1	–	53.4	151.1	204.5
Net book amount at 30 December 2011	43.7	2.5	0.1	–	46.3	148.0	194.3

Impairment tests for goodwill and other intangible assets

As described in note 1, goodwill and other intangible assets with an indefinite life are subject to annual impairment tests in accordance with IAS 36, Impairment of Assets.

For the purpose of impairment testing:

(i) Goodwill (excluding goodwill acquired in the period) is tested at a business segment level.

(ii) Other intangible assets are allocated to the Group's cash-generating units (CGUs) which are considered to be on a regional basis.

The segmental allocation is shown below:

At 27 December 2013	Intangible assets £m	Goodwill £m	Total £m
Funeral services	**74.5**	**122.1**	**196.6**
Crematoria	**–**	**46.9**	**46.9**
Pre-arranged funeral plans	**2.2**	**4.7**	**6.9**
Central overheads	**–**	**–**	**–**
	76.7	**173.7**	**250.4**
At 28 December 2012			
Funeral services	51.0	106.1	157.1
Crematoria	–	40.3	40.3
Pre-arranged funeral plans	2.3	4.7	7.0
Central overheads	0.1	–	0.1
	53.4	151.1	204.5

9 Goodwill and other intangible assets (continued)

The recoverable amount of a CGU is based on a value-in-use calculation for goodwill and intangible assets existing at the start of the period. However, the assets allocated to central overheads are tested for impairment by reference to the Group as a whole.

The value-in-use calculations use cash flow projections based on the latest management expectations. Key assumptions used to produce the annual budget are the estimated UK death rates (based on historical death rates supplied by ONS), anticipated market share (based on actual experience) and anticipated price increases (based on actual experience). Cash flows beyond the initial 12 month period are extrapolated using a growth rate of 2.25 per cent (2012: 2.25 per cent). The cash flows are discounted at a pre-tax rate of 10.2 per cent (2012: 10.2 per cent). This rate is used to analyse each CGU because they all have similar risk profiles. Based on these calculations, the discount rate would have to increase to at least 19 per cent (2012: 21 per cent), or the growth rate would have to reduce to at least minus 8 per cent (2012: minus 10 per cent) to result in any impairment of goodwill, intangible assets, property, plant and equipment and working capital.

For acquisitions made in the period, the recoverable amount of cash generating units has been determined on the basis of fair value less costs to sell. The consideration paid in each case supports the valuation of goodwill.

On the basis of the above, the review indicated that no impairment arose in any segment (2012: £nil).

10 Property, plant and equipment

	Freehold land and buildings £m	Leasehold buildings £m	Plant, machinery, fixtures and fittings £m	Motor vehicles £m	Work in progress £m	Total £m
Cost						
At 30 December 2011	86.4	35.8	30.2	46.7	7.4	206.5
Additions	2.7	1.9	5.4	5.5	4.5	20.0
Acquisition of subsidiaries and other businesses	0.5	–	–	0.2	–	0.7
Disposals	(0.3)	(0.1)	(0.5)	(2.5)	–	(3.4)
Reclassification	3.5	0.3	0.3	–	(4.1)	–
At 28 December 2012	92.8	37.9	35.4	49.9	7.8	223.8
Additions	3.0	1.3	4.3	7.5	2.2	18.3
Acquisition of subsidiaries and other businesses (note 26(a))	17.5	1.9	–	1.8	–	21.2
Disposals	–	–	(0.2)	(2.9)	–	(3.1)
Reclassification	1.2	1.6	3.2	–	(6.0)	–
At 27 December 2013	**114.5**	**42.7**	**42.7**	**56.3**	**4.0**	**260.2**
Accumulated depreciation						
At 30 December 2011	(13.1)	(9.7)	(14.2)	(21.9)	–	(58.9)
Depreciation charge	(2.4)	(1.5)	(3.1)	(3.5)	–	(10.5)
Disposals	0.1	–	0.5	2.1	–	2.7
At 28 December 2012	(15.4)	(11.2)	(16.8)	(23.3)	–	(66.7)
Depreciation charge	(2.8)	(1.7)	(3.6)	(4.2)	–	(12.3)
Disposals	–	–	0.2	2.2	–	2.4
Reclassification	(0.1)	0.1	–	–	–	–
At 27 December 2013	**(18.3)**	**(12.8)**	**(20.2)**	**(25.3)**	**–**	**(76.6)**
Net book amount at 27 December 2013	**96.2**	**29.9**	**22.5**	**31.0**	**4.0**	**183.6**
Net book amount at 28 December 2012	77.4	26.7	18.6	26.6	7.8	157.1
Net book amount at 30 December 2011	73.3	26.1	16.0	24.8	7.4	147.6

The above disclosure now includes a work in progress column and the prior year values have been re-classified to reflect this.

Depreciation expense of £4.2 million (2012: £3.5 million) is included within cost of sales and £8.1 million (2012: £7.0 million) is included within administrative expenses.

In 2013, borrowing costs of £nil million (2012: £0.2 million) were capitalised as components of the cost of construction of qualifying assets, applying an annualised average capitalisation rate of nil per cent (2012: 6.8 per cent).

Details of any securities over assets are disclosed in note 30.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

10 Property, plant and equipment (continued)

Additional headings have been included in the Consolidated Statement of Cash Flows for property, plant and equipment in order to provide additional information on the different types of expenditure that the Group has incurred during the year.

Assets held under finance leases, which relate solely to leasehold land and buildings, have the following net book amount:

	27 December 2013 £m	28 December 2012 £m
Cost	**1.0**	1.0
Accumulated depreciation	**(0.3)**	(0.3)
Net book amount	**0.7**	0.7

The Group had capital expenditure authorised by the Board and contracted for at the balance sheet date of £2.7 million (2012: £5.4 million).

11 Non-current financial and other assets

	Note	27 December 2013 £m	28 December 2012 £m
Prepayments	(a)	**10.0**	10.0
Deferred commissions	(b)	**2.7**	2.6
		12.7	12.6

(a) Prepayments

This balance represents the amounts paid to acquire the long leasehold interest in land at certain of the Group's properties. Management consider that leases greater than 50 years at inception are long leases. The balance is expensed on a straight line basis over the term of the relevant lease. The leases expire at various times over the next 30 to 900 years.

(b) Deferred commissions

The Group is the named beneficiary on a number of life assurance products sold by third party insurance companies.

A commission is paid when the policy is charged to the Group. As this commission is fully refundable if the Group does not perform the funeral for any reason, it is carried as a receivable and expensed when the funeral is performed.

12 Investments

A list of the trading entities included within the financial information are included in note C2 to the Company's financial statements.

13 Inventories

	27 December 2013 £m	28 December 2012 £m
Materials	**0.2**	0.2
Finished goods	**6.4**	6.3
	6.6	6.5

There were no inventory write-downs in either period.

14 Trade and other receivables

	27 December 2013 £m	28 December 2012 £m
Trade receivables	**19.5**	18.3
Less: provision for impairment (note 21(c))	**(4.5)**	(3.4)
Net trade receivables	**15.0**	14.9
Receivables due from related parties (note 31)	**3.1**	3.0
Receivables due from related parties due after more than one year (note 31)	**3.6**	3.1
Prepayments and accrued income	**4.8**	3.6
Other receivables	**1.3**	1.0
	27.8	25.6

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful recoverables. For further details of the trade receivables past due and impaired refer to note 21(c).

Due to the short term nature of these balances, the carrying value is considered to be their fair value.

15 Cash and cash equivalents

	Note	27 December 2013 £m	28 December 2012 £m
Operating cash as reported in the consolidated statement of cash flows as cash and cash equivalents		**59.0**	38.0
Recoveries: pre-arranged funeral plans	(a)	**–**	1.5
Amounts set aside for debt service payments	(b)	**20.3**	16.1
Collateralisation of Liquidity Facility	(c)	**63.0**	–
Cash and cash equivalents as reported in the balance sheet		**142.3**	55.6

(a) Recoveries may not be used for one year following receipt and therefore do not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows.

(b) This amount was transferred to restricted bank accounts which could only be used for the payment of the interest and principal on the Secured Notes, the repayment of liabilities due on the Group's interest rate swaps (see note 16(d)) and commitment fees due on its undrawn borrowing facilities (see note 21(d)) and for no other purpose.

This amount does not meet the definition of cash and cash equivalents in IAS 7, Statement of Cash Flows. This amount was used to pay these respective parties on 31 December 2013. Of this amount, £14.6 million (2012: £11.9 million) is shown within the Statement of Cash Flows as 'Payments to restricted bank accounts for finance costs' and £5.7 million (2012: £4.2 million) is shown within 'Financing activities' as 'Payments to restricted bank accounts for repayment of borrowings'.

(c) This amount represents the cash collateralisation of the Liquidity Facility, which does not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further information.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

16 Financial liabilities

Current	Note	27 December 2013 £m	28 December 2012 £m
Class A Secured Notes	(a)	**12.7**	11.6
Class A Secured Notes – issued 2013	(b)	**3.1**	–
Premium on Secured Notes	(a)	**1.8**	1.9
Premium on Secured Notes – issued 2013	(b)	**2.2**	–
Other current financial liabilities	(d)	**1.0**	1.0
Crematoria Acquisition Facility	(e)	**–**	10.0
Collateralisation of Liquidity Facility	(f)	**63.0**	–
	(g)	**83.8**	24.5
Non-current			
Class A and B Secured Notes	(a)	**279.1**	287.2
Class A and B Secured Notes – issued 2013	(b)	**68.6**	–
Premium on Secured Notes	(a)	**16.4**	18.2
Premium on Secured Notes – issued 2013	(b)	**19.1**	–
Finance lease obligations	(c)	**0.7**	0.7
Other non–current financial liabilities	(d)	**3.6**	4.0
Crematoria Acquisition Facility	(e)	**15.6**	–
		403.1	310.1

(a) Class A and B Secured Notes

On 11 April 2003, Dignity Finance PLC issued £110,000,000 Class A Secured Notes (the 'A notes') and £100,000,000 Class B Secured Notes (the 'B notes').

On 21 February 2006, Dignity Finance PLC issued £45,550,000 Class A Secured Notes (the 'Further A notes') and £32,500,000 Class B Secured Notes (the 'Further B notes').

On 27 September 2010, Dignity Finance PLC issued £48,650,000 Class A Secured Notes (the 'Second Further A notes') and £33,100,000 Class B Secured Notes (the 'Second Further B notes').

The A notes, the Further A notes and the Second Further A notes are collectively referred to as the Existing Secured A Notes. The B notes, the Further B notes and the Second Further B notes are collectively referred to as the Existing Secured B Notes.

At 27 December 2013, £139.2 million (2012: £147.8 million) of the principal of the Existing Secured A Notes and £165.6 million (2012: £165.6 million) of the principal of the Existing Secured B Notes was outstanding.

Transaction costs of £14.1 million and £12.8 million were incurred on the issue of the Existing Secured A Notes and the Existing Secured B Notes respectively. At 27 December 2013, £5.3 million (2012: £6.3 million) and £7.7 million (2012: £8.3 million) of the transaction costs in respect of the Existing A Notes and the Existing B Notes respectively remain unamortised.

The Existing Secured A Notes and the Existing Secured B Notes were issued at a premium of £9.3 million and £19.0 million respectively, which is being released in proportion to the interest cost in the notes. At 27 December 2013 £4.8 million (2012: £5.7 million) and £13.4 million (2012: £14.4 million) respectively remained unamortised.

(b) Third further issue of Secured Notes

On 30 July 2013, Dignity Finance PLC issued £50,250,000 Class A Secured Notes (the 'Third Further A notes') and £40,750,000 Class B Secured Notes (the 'Third Further B notes'). Transaction costs of £1.6 million and £1.9 million respectively were incurred on the issue of these Notes. The Third Further A notes were issued at a premium of £6.9 million and the Third Further B notes were issued at a premium of £15.4 million.

At 27 December 2013, £34.3 million of the principal of the Third Further A notes and £40.7 million of the principal of the Third Further B notes was outstanding.

At 27 December 2013, £1.5 million and £1.8 million of the transaction costs in respect of the Third Further A notes and the Third Further B notes respectively remain unamortised. At 27 December 2013, £6.4 million and £14.9 million of the premium in respect of the Third Further A notes and the Third Further B notes respectively remain unamortised.

The Existing Secured A Notes and the Third Further A notes are collectively referred to as the Secured A Notes. The Existing Secured B Notes and the Third Further B notes are collectively referred to as the Secured B Notes. The Secured A Notes and the Secured B Notes are collectively referred to as the Secured Notes or the Class A and B Secured Notes.

The Secured A Notes carry interest at 6.31 per cent payable half yearly in arrears. The Secured A Notes are repayable in instalments ending in December 2023.

16 Financial liabilities (continued)

The Secured B Notes carry interest at 8.151 per cent payable half yearly in arrears. The Secured A Notes are repayable in instalments ending in December 2030.

The aggregate principal outstanding on the Secured Notes and related issue costs have been presented on a net basis in the table on page 96. The Secured Notes are secured by first ranking security in respect of the undertakings and assets of Dignity (2002) Limited and its subsidiaries.

For further details of security over the Secured Notes see note 30(a).

(c) Obligations under finance leases

	27 December 2013 £m	28 December 2012 £m
Obligations under finance leases and hire purchase payable:		
Within one year	**–**	–
Between one and two years	**–**	–
Between two and five years	**0.2**	0.2
After five years	**0.5**	0.5
	0.7	0.7

The finance leases and hire purchase liabilities are secured on the related assets.

(d) Other financial liabilities

On 20 December 2002, Dignity (2002) Limited entered into contracts to swap the floating rate interest on a bank loan into fixed rate. Contractually, these swaps were not effective until 30 April 2003.

On 11 April 2003, as described in note 16(a), the Group issued Secured Notes at a fixed rate of interest. These notes replaced the bank loan. Consequently, the swaps were no longer required as the Group had no interest rate risk on the Secured Notes. As a result, the Group entered into further contracts on 11 April 2003 to swap fixed rate interest into floating in order to offset the original swaps and eliminate any interest rate risk in this regard.

As a result of interest rate movements between these two dates, the combined effect of all the contracts was that the Group makes fixed and determinable bi-annual payments on a notional principal amount.

These swap agreements were entered into under one ISDA master agreement. This master agreement forces the swaps to be viewed and settled on a net basis only; a position that cannot be altered without the written consent of both parties.

Accordingly, the overall transaction represents a financial liability. The fair value represents the discounted net present value of future cash flows. Further, as these contracts related to the raising of the Secured Notes, the liability has been accounted for as a transaction cost of the Class A and B Secured Notes and is being amortised in accordance with IAS 39.

(e) Crematoria Acquisition Facility

The Group is also fully drawn on a £15.8 million Crematoria Acquisition Facility. The principal on the facility is repayable in one amount in February 2018 and interest is fixed at approximately 3.3 per cent. All interest is payable in cash on a quarterly basis. Consequently, the Group carries limited risk to increases in LIBOR on this facility.

The transaction costs incurred on the Crematoria Acquisition Facility were £0.2 million. The principal outstanding on the Crematoria Acquisition Facility and related issue costs have been presented on a net basis in the table on page 96.

At 27 December 2013, £15.8 million (2012: £10.0 million) of the principal was outstanding. At 27 December 2013, £0.2 million (2012: £nil million) of the transaction costs remained unamortised.

For further details of security over the Crematoria Acquisition Facility see note 30(b).

(f) Collateralisation of Liquidity Facility

In November 2013 the Group enforced its right to require the Royal Bank of Scotland ('RBS') to cash collateralise the Group's Liquidity Facility, following the downgrade of RBS by Standard & Poor's. This collateralisation may be reversed at RBS's option once their short term rating is at least A-1. This facility is effectively undrawn on a net basis and the cash may only be used in the same circumstances before the cash collateralisation was enforced.

(g) Current financial liabilities

The current financial liabilities represent the amounts falling due within one year of the Group's accounting reference date, 31 December.

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for the 52 week period ended 27 December 2013

17 Trade and other payables

Current	27 December 2013 £m	28 December 2012 £m
Trade payables	**9.1**	9.7
Tax and social security	**1.4**	1.3
Other current liabilities	**1.9**	1.7
Accruals and deferred income	**39.6**	33.5
	52.0	46.2
Non-current		
Deferred income	**1.1**	1.2
Deferred consideration for acquisitions	**–**	0.1
Long service awards	**1.0**	1.1
Other non-current liabilities	**0.7**	0.4
	2.8	2.8

18 Obligations under finance leases and operating leases

For minimum lease payments obligations under finance leases refer to note 21(d)(ii).

	27 December 2013 £m	28 December 2012 £m
The minimum lease payments under non-cancellable operating leases fall due as follows:		
Not later than one year	**8.4**	8.8
Later than one year but not more than five years	**25.3**	24.4
More than five years	**125.5**	120.3
	159.2	153.5

The non-cancellable operating leases principally relate to leasehold land and buildings.

Of the total operating lease payments charged to trading expenses, £nil million (2012: £nil million) are in respect of contingent rentals. The contingent rentals are based on the revenues generated at the specific locations.

Sublease payments received in the year amount to £0.4 million (2012: £0.4 million). Total future sublease payments receivable relating to operating leases amount to £0.6 million (2012: £0.7 million).

In addition, the Group has operating lease commitments with rentals determined in relation to revenues. No operating lease commitment disclosures are required for these arrangements, as future lease payments represent contingent rental payments.

19 Provisions for liabilities and charges

	Dilapidations £m (a)	Onerous contracts £m (b)	Cancellation provision £m (c)	Total £m
At beginning of period	3.1	0.2	1.2	4.5
Charged to income statement	0.5	–	–	0.5
Released to income statement	–	(0.1)	–	(0.1)
Utilised in period	0.1	–	–	0.1
Amortisation of discount	(0.1)	–	–	(0.1)
At end of period	**3.6**	**0.1**	**1.2**	**4.9**

Provisions have been analysed between current and non-current as follows:

	27 December 2013 £m	28 December 2012 £m
Current	**1.1**	1.1
Non-current	**3.8**	3.4
	4.9	4.5

19 Provisions for liabilities and charges (continued)

(a) Dilapidations
The provision for dilapidations covers the costs of repair to leased premises occupied by the Group in respect of which a dilapidations notification has been received, and properties where a dilapidation obligation exists but for which no notification has been received.

It is anticipated that the element of provision relating to dilapidation notices served, £0.6 million (2012: £0.5 million), will be incurred in the following financial year, and the element relating to dilapidation obligations where no notice has been served will be utilised over the terms of the relevant property leases, the majority of which is expected to be by 31 December 2022.

(b) Onerous contracts
The Group has provided for the discounted future costs of certain contracts to which the Group is legally bound. These contracts relate to vacant leasehold properties and other contracts from which no economic benefit is derived. The provision will be utilised over the term of the contracts and it is anticipated that it will be fully utilised by 2038.

Included within the provision is an amount of £nil million (2012: £0.1 million) relating to the expected costs of ongoing rent reviews, the outcomes of which have been based on recent experience of similar reviews on other properties.

(c) Cancellation provision
As described in note 1, the Group receives monies from certain pre-arranged funeral plan Trusts in respect of the marketing of pre-arranged funeral plans, which are refundable to the Trust in the event of cancellation.

The provision covers the expected cost of such cancellations anticipated to occur in future years relating to plans sold before the balance sheet date and is anticipated to be utilised over the next five years.

20 Deferred tax
Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20 per cent (2012: 23 per cent).

The movement on the deferred tax account is as shown below:

	27 December 2013 £m	28 December 2012 £m
At beginning of period	**24.2**	25.1
Charged to income statement (note 6)	**(0.4)**	0.6
Adjustment for rate change – 23% to 20% (2012: 25% to 23%)	**(3.4)**	(2.0)
Taken to equity (note 6)	**(0.6)**	–
Arising on acquisitions (note 26(a))	**7.1**	0.5
At end of period	**26.9**	24.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below:

Deferred tax liabilities

	Accelerated tax depreciation £m	**Other £m**	**Total £m**
At beginning of period	15.8	9.8	25.6
Charged to income statement (note 6)	(0.5)	0.1	(0.4)
Adjustment for rate change – 23% to 20% (2012: 25% to 23%)	(2.2)	(1.4)	(3.6)
Taken to equity (note 6)	–	–	–
Arising on acquisitions	2.6	4.5	7.1
At end of period	**15.7**	**13.0**	**28.7**

Deferred tax assets

	Pensions £m	**Other £m**	**Total £m**
At beginning of period	–	(1.4)	(1.4)
Charged to income statement (note 6)	–	–	–
Adjustment for rate change – 23% to 20% (2012: 25% to 23%)	–	0.2	0.2
Taken to equity (note 6)	(0.2)	(0.4)	(0.6)
At end of period	**(0.2)**	**(1.6)**	**(1.8)**

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for the 52 week period ended 27 December 2013

20 Deferred tax (continued)

All of the deferred tax assets were available for offset against deferred tax liabilities and hence the net deferred tax provision at 27 December 2013 was £26.9 million (2012: £24.2 million).

Other deferred tax liabilities includes goodwill on trade names and capital gains rolled forward, other deferred tax assets includes option schemes and long service awards.

Elements of these deferred tax balances may be payable/recoverable within one year. However, the Directors consider that it is not possible to quantify the amount because the level of uncertainty in the timing of events and have therefore classified the whole balance as due after more than one year. Based on previous years utilisation, approximately £0.5 million is expected to be recoverable within one year.

Included in the above is a deferred tax liability of £6.4 million relating to the acquisition of Yew Holdings Limited.

The deferred income tax charged to equity during the period was as follows:

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Deferred tax credit on actuarial losses on retirement benefit obligations	**(0.2)**	(0.2)
Deferred tax credit relating to maturity of option schemes	**(0.4)**	0.2
Adjustment for rate change – 23% to 20% (2012: 25% to 23%)	**0.1**	–

21 Financial instruments

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at relevant interest rates.

Trade receivables are held net of impairment.

Fair value estimation

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All assets and liabilities are held at amortised cost other than interest rate swaps which are held at fair value. These swaps are level 2.

(a) Fair value of current and non-current financial assets and liabilities

	27 December 2013		28 December 2012	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Long-term borrowings (excluding finance lease obligations and including swaps) (note 16)	**(402.4)**	**(494.9)**	(309.4)	(410.2)
Finance lease obligations (note 16)	**(0.7)**	**(0.7)**	(0.7)	(0.7)
	(403.1)	**(495.6)**	(310.1)	(410.9)
Fair values of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings (excluding finance lease obligations and collateralised Liquidity Facility and including swaps) (note 16)	**(20.8)**	**(23.6)**	(24.5)	(27.5)
Collateralisation of Liquidity Facility	**(63.0)**	**(63.0)**	–	–
Trade and other payables (excluding statutory liabilities) (note 17)	**(50.6)**	**(50.6)**	(44.9)	(44.9)
Trade and other receivables (excluding prepayments) (note 14)	**23.0**	**23.0**	22.0	22.0
Collateralisation of Liquidity Facility	**63.0**	**63.0**	–	–
Cash and cash equivalents – excluding collateralised Liquidity Facility (note 15)	**79.3**	**79.3**	55.6	55.6
Other non–current financial liabilities (note 17)	**(2.8)**	**(2.8)**	(2.8)	(2.8)

21 Financial instruments (continued)

(b) Maturity of financial liabilities

The tables below analyse the Group's financial liabilities, which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows, including interest costs yet to be incurred.

	27 December 2013					
	In less than one year £m	**In more than one year but not more than two years £m**	**In more than two years but not more than three years £m**	**In more than three years but not more than five years £m**	**In more than five years £m**	**Total £m**
Cash liabilities						
Class A and B Secured Notes (gross)	**17.7**	**13.0**	**14.0**	**31.3**	**303.8**	**379.8**
Interest payable on Secured Notes	**41.1**	**26.4**	**25.6**	**48.5**	**167.3**	**308.9**
Swaps	**1.0**	**0.7**	**0.7**	**1.2**	**2.8**	**6.4**
Crematoria Acquisition Facility	**–**	**–**	**–**	**15.8**	**–**	**15.8**
Interest payable on Crematoria Acquisition Facility	**0.5**	**0.5**	**0.5**	**0.6**	**–**	**2.1**
Collateralisation of Liquidity Facility	**63.0**	**–**	**–**	**–**	**–**	**63.0**
Finance leases	**–**	**0.1**	**0.1**	**0.1**	**2.7**	**3.0**
Debt repayments	**123.3**	**40.7**	**40.9**	**97.5**	**476.6**	**779.0**
Other financial liabilities	**37.9**	**0.3**	**0.3**	**0.4**	**0.9**	**39.8**
	161.2	**41.0**	**41.2**	**97.9**	**477.5**	**818.8**

	28 December 2012					
	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Cash liabilities						
Class A and B Secured Notes (gross)	13.2	9.7	10.4	23.3	256.9	313.5
Interest payable on Secured Notes	33.8	21.8	21.2	40.4	153.4	270.6
Swaps	1.0	0.7	0.7	1.4	3.3	7.1
Crematoria Acquisition Facility	10.0	–	–	–	–	10.0
Interest payable on Crematoria Acquisition Facility	0.4	–	–	–	–	0.4
Finance leases	–	0.1	0.1	0.1	2.7	3.0
Debt repayments	58.4	32.3	32.4	65.2	416.3	604.6
Other financial liabilities	34.7	0.2	0.3	0.6	1.0	36.8
	93.1	32.5	32.7	65.8	417.3	641.4

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21 Financial instruments (continued)

The amounts disclosed in the tables below represent the anticipated amortisation profile for the issue costs and premium relating to the issue of the A and B Secured Notes.

27 December 2013	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs on Secured Notes	**1.8**	**1.7**	**1.7**	**3.0**	**8.1**	**16.3**
Premium on Secured Notes	**(3.9)**	**(3.8)**	**(3.7)**	**(6.8)**	**(21.3)**	**(39.5)**
Issue costs on Crematoria Acquisition Facility	**–**	**0.1**	**–**	**0.1**	**–**	**0.2**
	(2.1)	**(2.0)**	**(2.0)**	**(3.7)**	**(13.2)**	**(23.0)**

28 December 2012	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-cash liabilities						
Issue costs on Secured Notes	1.5	1.5	1.4	2.6	7.6	14.6
Premium on Secured Notes	(1.9)	(1.8)	(1.7)	(3.2)	(11.5)	(20.1)
Issue costs on Crematoria Acquisition Facility	–	–	–	–	–	–
	(0.4)	(0.3)	(0.3)	(0.6)	(3.9)	(5.5)

(c) Trade receivables

As at 27 December 2013, £8.7 million of the individual gross trade receivables (2012: £7.3 million) were past due and partially impaired. A provision for impairment is established based on historical experience. The amount of the provision, as at 27 December 2013, was £4.5 million (2012: £3.4 million). The individually impaired receivables principally relate to monies owing for funerals performed by the funeral services division. The ageing of these receivables is as follows:

	27 December 2013 £m	28 December 2012 £m
One to six months	**4.9**	4.6
Over six months	**3.8**	2.7
	8.7	7.3

The amount of gross trade receivables past due that were not impaired was not significant.

Movements on the Group's provision for impairment of trade receivables are as follows:

	27 December 2013 £m	28 December 2012 £m
At beginning of period	**(3.4)**	(3.1)
Charged to income statement	**(2.2)**	(1.4)
Utilised in period	**1.1**	1.1
At end of period	**(4.5)**	(3.4)

21 Financial instruments (continued)

(d) Borrowing facilities

(i) The Group has the following undrawn committed borrowing facilities available at 27 December 2013, all of which were at floating interest rates, in respect of which all conditions precedent had been met at that date:

	27 December 2013 £m	28 December 2012 £m
Expiring within one year	**–**	55.0
Expiring between one and two years	**–**	–
Expiring in more than two years	**5.0**	–
	5.0	55.0

During the period, £63.0 million was drawn (2012: £50.0 million undrawn) of the Liquidity Facility relating to the Class A and B Secured Notes. This facility may only be used to repay interest and principal on the Secured Notes in the event of insufficient cash to service these instruments. The facility is subject to annual renewal. However, if the bank providing the facility does not renew it, then the provider is required to place £63.0 million (2012: £50.0 million) in a bank account, which the Group may access as if it represented a borrowing facility on the same terms. The facility is available on these terms until the Secured Notes have been repaid in full. This facility is currently cash collateralised, but effectively undrawn on a net basis. See note 16(f) for further information.

The remaining £5.0 million facility expires in April 2018. Both these facilities incur commitment fees at market rates.

(ii) The minimum lease payments under finance leases fall due as follows:

	27 December 2013 £m	28 December 2012 £m
Not later than one year	**0.1**	0.1
Later than one year but not more than five years	**0.2**	0.2
More than five years	**2.7**	2.7
	3.0	3.0
Future finance costs on finance leases	**(2.3)**	(2.3)
Present value of finance lease liabilities	**0.7**	0.7

22 Ordinary share capital

	27 December 2013 £m	28 December 2012 £m
Allotted and fully paid Equity shares		
53,343,871 (2012: 54,757,481) Ordinary Shares of 11 4/13 pence (2012: £0.105) each	**6.0**	5.7

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period, the Group received £nil consideration in relation to the 253,844 shares issued under the 2010 LTIP scheme, £1.0 million consideration in relation to the 141,981 shares issued under the 2010 SAYE scheme and £24.2 million consideration relating to the 2,283,019 issued as an equity placing to partly fund the acquisition on Yew.

Changes in issued share capital

On 12 August 2013, the Ordinary Share Capital of the Company was consolidated such that shareholders received 13 Ordinary Shares of 11 4/13 pence each in exchange for every 14 Ordinary Shares of £0.105 each held at close of business on 9 August 2013.

As a result of the Return of Cash undertaken in the year, bonus shares of 20,613,992 B Shares with a nominal value of £1.08 per share and 36,680,352 C Shares were issued. The B Shares were issued on 12 August 2013 and redeemed for cash on 20 August 2013. The C Shares were issued on 12 August 2013 and converted to Deferred Shares on the same day.

Potential issues of Ordinary Shares

Certain employees hold options to subscribe for shares in the Company under an approved Save As You Earn ('SAYE') Scheme started in 2013. In addition, Executive Directors and senior management hold options to subscribe for shares in the Company under Long-Term Incentive Plans ('LTIPs') awarded in 2011, 2012 and 2013.

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22 Ordinary share capital (continued)

The total number of outstanding shares subject to options (excluding lapses), the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2013 Number	2012 Number	2011 Number
2010 – SAYE	701.00	1 December 2013 to 31 May 2014	**15,973**	166,160	185,031
2013 – SAYE	1,469.00	1 December 2016 to 31 May 2017	**149,318**	n/a	n/a
2011 – LTIP	–	21 March 2014 to 21 March 2015	**285,430**	285,430	285,430
2012 – LTIP	–	28 March 2015 to 28 March 2016	**251,836**	251,836	n/a
2013 – LTIP	–	20 March 2016 to 20 March 2017	**217,270**	n/a	n/a

23 Share-based payments

In respect of share-based payment arrangements, total charges to the income statement were £1.5 million (2012: £1.2 million). The Directors consider that these amounts are immaterial and hence further detailed disclosures have been omitted.

24 Net debt

	27 December 2013 £m	28 December 2012 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(310.0)**	(318.9)
Net amounts owing on Class A and B Secured Notes – issued 2013 per financial statements	**(93.0)**	–
Add: unamortised issue costs (note 16(a))	**(13.0)**	(14.6)
Add: unamortised issue costs – issued 2013 (note 16(a))	**(3.3)**	–
Gross amounts owing on all Class A and B Secured Notes per financial statements	**(419.3)**	(333.5)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(10.0)
Add: unamortised issue costs on Crematoria Acquisition Facility (note 16(e))	**(0.2)**	–
Gross amounts owing	**(435.1)**	(343.5)
Accrued interest on Class A and B Secured Notes	**(11.6)**	(11.6)
Accrued interest on Class A and B Secured Notes – issued 2013	**(2.7)**	–
Accrued interest on Crematoria Acquisition Facility	**–**	(0.1)
Cash and cash equivalents (1) (note 15)	**79.3**	55.6
Net debt	**(370.1)**	(299.6)

(1) Cash held as collateral for the Liquidity Facility has been excluded as it does not meet the definition of cash and cash equivalents in IAS 7. See notes 16(f) and 21(d) for further details.

In addition to the above, the consolidated balance sheet also includes finance lease obligations and other financial liabilities which totalled £5.3 million (2012: £5.7 million). These amounts do not represent sources of funding for the Group and are therefore excluded from the calculation of net debt.

The Group's primary financial covenant in respect of the Secured Notes requires EBITDA to total debt service to be at least 1.5 times. At 27 December 2013, the actual ratio was 2.46 times (2012: 2.43 times).

These ratios are calculated for EBITDA and total debt service on a 12 month rolling basis and reported quarterly. In addition, both terms are specifically defined in the legal agreement relating to the Secured Notes. As such, they cannot be accurately calculated from the contents of this report.

25 Reconciliation of cash generated from operations

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Net profit for the period	**40.4**	35.7
Adjustments for:		
Taxation	**9.2**	9.7
Net finance costs	**25.5**	23.3
Loss/(profit) on disposal of fixed assets	**0.1**	(0.1)
Depreciation charges	**12.3**	10.5
Amortisation of intangibles	**0.2**	0.2
Movement in inventories	**–**	(0.4)
Movement in trade receivables	**2.0**	(1.2)
Movement in trade payables	**(1.4)**	0.4
External transaction costs	**3.2**	0.8
Changes in other working capital (excluding acquisitions)	**1.2**	3.2
Employee share option charges (note 23)	**1.5**	1.2
Cash generated from operations before external transaction costs	**94.2**	83.3

Other non-cash transactions

Non-cash charges comprise amortisation of deferred debt issue costs, as discussed in note 16(a).

26 Acquisitions

(a) Acquisition of subsidiary and other businesses

	Yew Holdings Limited provisional fair value £m	Other acquisitions provisional fair value £m	Total provisional fair value £m
Property, plant and equipment	**21.1**	**0.1**	**21.2**
Intangible assets: trade names	**21.5**	**2.0**	**23.5**
Cash acquired	**0.6**	**0.5**	**1.1**
Receivables	**1.9**	**0.2**	**2.1**
Payables	**(0.7)**	**–**	**(0.7)**
Other working capital	**(0.8)**	**(0.2)**	**(1.0)**
Deferred taxation (note 20)	**(6.4)**	**(0.7)**	**(7.1)**
Net assets acquired	**37.2**	**1.9**	**39.1**
Goodwill arising	**21.1**	**1.5**	**22.6**
Satisfied by:			
Cash paid on completion (funded from a combination of internally generated cash flows, debt and equity funding)	**58.3**	**3.4**	**61.7**

All intangible assets were recognised at their respective fair values. The residual excess over the net assets acquired is recognised as goodwill. This represents the value to the Group of the funeral locations.

The fair value adjustments contain provisional amounts, which will be finalised in 2014. These adjustments reflect the recognition of trade names and associated deferred taxation, and adjustments to reflect the fair value of other working capital movements such as receivables, inventories and accruals which are immaterial.

It is also not possible to quantify the results of these businesses prior to acquisition as it represents confidential information relating to the vendors, which the Directors do not have authority to disclose.

Post acquisition operating performance of these acquisitions is disclosed in note 3 to the Annual Report.

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26 Acquisitions (continued)

Yew Holdings Limited

On 25 January 2013, the Group acquired the entire issued share capital of Yew Holdings Limited ('Yew') for a consideration of £58.3 million. Yew Holdings Limited owns and operates 40 funeral locations and two crematoria in Northern England.

If the Group had owned the Yew Acquisition for the entire period, then the estimated revenue for the Yew Acquisition would be £12.0 million and the estimated operating profit would be £4.3 million. These estimates assume a pro rata extrapolation of the Yew Acquisition's operating performance post acquisition. No material changes resulted from aligning the Yew Acquisition's accounting policies to those of the Group.

No tax deductions are expected in relation to the goodwill recognised.

This acquisition has been accounted for under the acquisition method and disclosed separately.

Other acquisitions

During 2013, the Group also acquired the operational interest of five funeral locations. These transactions were either acquisitions of trade and assets or acquisitions of the entire issued share capital of a limited company.

All acquisitions have been accounted for under the acquisition method. None were individually material and consequently have been aggregated.

(b) Reconciliation to cash flow statement

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Cash paid on completion	**61.7**	11.5
Cash paid in respect of deferred consideration obligations	**0.1**	0.1
Cash acquired on acquisition	**(1.1)**	(0.9)
Acquisition of subsidiaries and businesses as reported in the cash flow statement	**60.7**	10.7

27 Employees and Directors

	52 week period ended 27 December 2013 £m	52 week period ended 28 December 2012 £m
Wages and salaries	**70.1**	63.6
Social security costs	**5.1**	4.6
Other pension costs (note 28)	**1.9**	1.9
Share option charges (note 23)	**1.5**	1.2
	78.6	71.3

Key management are considered to be the Board of Directors only. Total key management remuneration in the period was £3.9 million (2012: £3.6 million), including £1.0 million (2012: £0.8 million) of share option charges. The monthly average number of people, including Directors, employed by the Group during the period was as follows:

	2013 Number	2012 Number
Management and administration	**148**	135
Funeral services staff	**2,194**	2,048
Crematoria staff	**316**	297
Pre-arranged funeral plan staff	**69**	63
	2,727	2,543

Directors' emoluments

Details of Directors' emoluments are disclosed in the Report on Directors' Remuneration on pages 61 to 67 which form part of these consolidated financial statements.

28 Pension commitments

Defined contribution plans
The Group contributes to certain individuals' personal pension schemes. These contributions are accounted for as defined contribution schemes.

Auto enrolment
During the year, the Group implemented auto enrolment. A defined contribution scheme has been used, with both the employee and employer contributing four per cent of pensionable pay. Approximately one in three eligible employees elected to opt out of the scheme.

The pension costs for defined contribution schemes are as follows:

	2013 £m	2012 £m
Defined contribution schemes	**0.3**	0.1

Defined benefit plan
The Group operates a defined benefit scheme the Dignity Pension and Assurance Scheme. A full actuarial valuation was carried out as at 6 April 2011 and updated to 27 December 2013 by a qualified independent Actuary.

After consultation with members of the defined benefit plan, the Group closed the scheme to new entrants on 1 October 2013 and employee contributions were increased to 10 per cent (from 7 per cent) of pensionable salaries, with the Group contributing the same amount (an increase from 9.2 per cent). The total monetary contribution paid by the employer for 2013 was £1.5 million (2012: £1.3 million). In addition special contributions of £1.0 million (2012: £nil) have been paid to make the total contribution for the year £2.5 million (2012: £1.3 million).

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) were:

Assumptions	2013	2012
Discount rate	**4.7%**	4.65%
Expected long-term rate of return on assets	**4.7%**	4.65%
Rate of increase in salaries	**2.5%**	2.8%
Rate of increase in payment of post April 1997 pensionable service	**3.4%**	2.8%
Rate of increase in payment of post April 2005 pensionable service	**2.3%**	2.1%
RPI price inflation assumption	**3.5%**	2.9%
CPI price inflation assumption	**2.5%**	2.1%

The underlying mortality assumption is based upon the standard table known as S1PA on a year of birth basis, with CMI_2009 future improvement factors, a long-term rate of improvement of 1.25 per cent per annum and rated up two years for males and down two years for females (2012: same).

Pensions and other post-retirement obligations
The amounts recognised in the balance sheet are determined as follows:

	2013 £m	2012 £m
Fair value of plan assets	**91.2**	87.0
Present value of funded obligations	**(92.2)**	(86.9)
Net (obligation)/asset recognised in the balance sheet	**(1.0)**	0.1

Analysis of amount charged to income statement in respect of defined benefit schemes

	2013 £m	2012 £m
Current service cost	**1.6**	1.8
Past service cost	**–**	–
Total included within cost of sales (staff costs)	**1.6**	1.8
Net Interest cost included within finance income	**–**	(0.2)

Expected contributions to the Group's pension scheme for the 52 week period ended 26 December 2014 are approximately £1.7 million.

Notes to the financial statements continued
for the 52 week period ended 27 December 2013

28 Pension commitments (continued)

Analysis of fair value of plan assets	2013		2012	
	£m	%	£m	%
Equity and property	**50.7**	**55.6**	47.5	54.6
Debt	**32.7**	**35.9**	30.9	35.5
Cash	**7.8**	**8.5**	8.6	9.9
Fair value of plan assets	**91.2**	**100.0**	87.0	100.0

At 27 December 2013 and 28 December 2012 the Pension Trustees did not hold, on behalf of the scheme, any direct investments in the Group, nor did the Group occupy any property or other assets included with the fair value of plan assets.

Changes in the present value of the defined benefit obligation are as follows:

	2013 £m	2012 £m
Present value of obligation at beginning of period	**(86.9)**	(83.2)
Current service cost	**(1.6)**	(1.8)
Past service cost	**–**	–
Interest cost	**(4.0)**	(4.0)
Benefits paid	**3.5**	3.7
Contributions by participants	**(1.2)**	(1.4)
Actuarial (losses)/gains – financial	**(2.3)**	(0.9)
Actuarial (losses)/gains – demographic	**–**	–
Actuarial gains/(losses) – experience	**0.3**	0.7
Present value of obligation at end of period	**(92.2)**	(86.9)

Changes in the fair value of plan assets are as follows:

	2013 £m	2012 £m
Fair value of plan assets at beginning of period	**87.0**	84.5
Expected return on plan assets	**4.0**	4.2
Contributions by Group	**2.5**	1.3
Contributions by participants	**1.2**	1.4
Benefits paid	**(3.5)**	(3.7)
Actuarial losses	**–**	(0.7)
Fair value of plan assets at end of period	**91.2**	87.0

Analysis of the movement in the balance sheet (obligation)/asset	2013 £m	2012 £m
At beginning of period	**0.1**	1.3
Total expense as above	**(1.6)**	(1.6)
Actuarial losses	**(2.0)**	(0.9)
Contributions by Group	**2.5**	1.3
At end of period	**(1.0)**	0.1

Cumulative actuarial gains and losses recognised in equity	2013 £m	2012 £m
At beginning of period	**(1.1)**	(0.2)
Net actuarial losses recognised in the period	**(2.0)**	(0.9)
At end of period	**(3.1)**	(1.1)

The actual return on plan assets was £4.0 million (2012: £3.5 million).

28 Pension commitments (continued)

History of experience gains and losses	**2013**	2012	2011	2010	2009
Experience adjustments arising on scheme assets:					
Amount (£m)	**–**	(0.7)	(4.6)	(2.6)	(4.5)
Percentage of scheme's assets	**–**	0.8%	5.4%	3.0%	5.8%
Experience adjustments arising on scheme liabilities:					
Amount (£m)	**0.2**	0.7	1.0	(1.1)	(0.3)
Percentage of the present value of the scheme's liabilities	**0.2%**	0.8%	1.2%	1.4%	0.4%
Present value of scheme liabilities (£m)	**(92.2)**	(86.9)	(83.2)	(76.1)	(68.0)
Fair value of scheme assets (£m)	**91.2**	87.0	84.5	84.6	77.1
(Deficit)/surplus (£m)	**(1.0)**	0.1	1.3	8.5	9.1

Change in assumptions	Liabilities £m	Assets £m	Surplus/ (deficit) £m	Increase/ (decrease) in surplus £m
No change	**92.2**	**91.2**	**(1.0)**	**–**
0.25% rise in discount rate	**88.3**	**91.2**	**2.9**	**3.9**
0.25% fall in discount rate	**96.3**	**91.2**	**(5.1)**	**(4.1)**
0.25% rise in inflation	**94.6**	**91.2**	**(3.4)**	**(2.4)**
0.25% fall in inflation	**89.5**	**91.2**	**1.7**	**2.7**

The above sensitivity analysis has been determined by applying the results of a fully accurate sensitivity analysis as at 6 April 2013 to the value placed on the Scheme liabilities as at 27 December 2013, assuming that the proportionate impact of the change in assumptions would be the same. It does not, therefore, allow for the impact of membership movements since 6 April 2013, although these would not be material. The same methodology was used for the sensitivity analysis undertaken for the year ending 28 December 2012.

Analysis of present value of scheme liabilities	**2013 £m**	2012 £m
Active members	**36%**	40%
Deferred pensioners	**25%**	24%
Current pensioners	**39%**	36%
Average duration of liabilities	**18 years**	19 years

Scheme characteristic
The scheme is administered by trustees in accordance with its Trust Deed & Rules and relevant legislation. Member contributions are fixed with the employer meeting the balance of the costs of providing scheme benefits. The contribution payable by the employer are set by the trustees after consulting the employer and in accordance with the funding requirements of the Pensions Act 2004.

Funding arrangements
The Trustees use Projected Unit funding method. The last full triennial actuarial valuation was undertaken as at 6 April 2011. Currently both the Employer and Scheme members pay contributions at the rate of 10 per cent of pensionable pay.

Funding Risks
Investment return risk
If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.

Investment match risk
The scheme invests significantly in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.

Longevity risk
If future improvements in longevity exceed the assumptions made for scheme funding then additional contributions may be required.

Prior year numbers have not been restated to reflect the changes to the accounting standard as this has no material impact to the prior year values.

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

29 Pre-arranged funeral plans

(a) Contingencies and commitments

Dignity Pre-arrangement Limited, Dignity Securities Limited and Advance Planning Limited are fellow members of the Dignity Group in the United Kingdom. These companies have sold pre-arranged funeral plans to their clients in the past. All monies from these sales are held and controlled by three independent Trusts, being the National Funeral Trust, the Dignity Limited Trust Fund and the Trust for Age UK Funeral Plans respectively. Further details of the transactions can be found in the financial statements of these companies, which are available from 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP.

The Group has given commitments to certain of these clients to perform their funeral. The agreed amounts payable to either the Group or to third party funeral directors will be paid out of the funds held in the Trusts.

Similar commitments have arisen following the Yew Acquisition, which had sold pre-arranged funeral plans through a similar trust based structure (the 'Peace of Mind Trusts').

It is the view of the Directors that none of the commitments given to these clients are onerous to the Group.

(b) Pre-arranged funeral plan trust assets (unaudited)

The market value of the assets of the pre-arranged funeral plan trusts was £578.9 million at 27 December 2013 (2012: £511.2 million) in respect of 257,000 (2012: 238,000) unfulfilled pre-arranged funeral plans. The remaining 66,000 (2012: 52,000) unfulfilled pre-arranged funeral plans related to those backed by Insurance Plans, as described in note 1 to the consolidated financial statements.

The majority of the trustees of the pre–arranged funeral plan trusts are unconnected to the Group, as required by current UK legislation. The trustees are required to have the Trusts' liabilities actuarially valued once a year. The latest valuations were performed as at 27 September 2013 (2012: 28 September 2012) using assumptions determined by the trustees. These valuations showed the Trusts to have liabilities in respect of the pre-arranged funeral plan trusts of £528.2 million as at 27 September 2013 (2012: £465.4 million). The corresponding market value of the assets of the pre-arranged funeral plan trusts was £544.8 million (2012: £479.4 million) as at the same date. Consequently the actuarial valuation recorded total surpluses of £16.6 million at 27 September 2013 (2012: £14.0 million).

The market value of assets relating to the pre-arranged funeral plan trusts associated with the Yew Acquisition at 31 March 2013 was £24.6 million being the last date of audited accounts.

30 Contingent liabilities

(a) Securitisation

On 11 April 2003, the Group refinanced its debt by way of a whole business securitisation. On 21 February 2006, 27 September 2010 and 30 July 2013 further Secured Notes were issued on identical terms. As a result, the following guarantees and charges were granted to BNY Mellon Corporate Trustee Services in its capacity as Security Trustee in the securitisation:

- The Dignity (2002) Group have granted the Security Trustee fixed and floating charges over the assets and undertakings of the Dignity (2002) Group;
- Dignity plc has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2004) Limited;
- Dignity (2004) Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings No. 2 Limited and Dignity (2002) Limited;
- Dignity Holdings No. 2 Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Holdings Limited;
- Dignity Holdings Limited has granted the Security Trustee, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Mezzco Limited;
- Dignity Holdings Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loans (both interest and non interest bearing) to Dignity (2002) Limited; and
- Dignity Mezzco Limited has also assigned to the Security Trustee by way of security with full title guarantee, its right title and interest in the loan to Dignity (2002) Limited.

At 27 December 2013, the amount outstanding in relation to these borrowings was £419.3 million (2012: £333.5 million).

(b) Crematoria Acquisition Facility

In January 2013 a further £5.8 million was drawn under the Crematoria Acquisition Facility. On 27 February 2013, the £15.8 million Crematoria Acquisition Facility was refinanced with the Royal Bank of Scotland. As a consequence of the legal structure of this facility:

- Dignity plc has granted Nat West, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity (2008) Limited;
- Dignity (2008) Limited has granted Nat West, with full title guarantee a first fixed charge over the shares (and any monies receivable in respect of the shares) which it holds in Dignity Crematoria Limited;
- Dignity (2008) Limited and Dignity Crematoria Limited have granted Nat West fixed and floating charges over the assets and undertakings of each of Dignity (2008) Limited and Dignity Crematoria Limited; and
- Dignity plc have acted as guarantor in the event that Dignity (2008) Limited fails to pay interest due on the facility.

In the opinion of the Directors no liability is likely to crystallise in respect of these guarantees.

At 27 December 2013, the amount outstanding in relation to these borrowings was £15.8 million (2012: £10.0 million).

Notes to the financial statements continued

for the 52 week period ended 27 December 2013

31 Related party transactions

Pre-arrangement trusts

During the period, the Group entered into transactions with the Trusts associated with the pre-arranged funeral plan businesses. The nature of the relationship with the Trusts is set out in the accounting policies. Amounts may only be paid out of the Trusts in accordance with the relevant Trust Deeds.

Transactions principally comprise:

- The recovery of marketing and administration allowances in relation to plans sold net of cancellations; and
- Receipts from the Trusts in respect of funerals provided.

Transactions also include:

- Receipts from the Trusts in respect of cancellations by existing members;
- Reimbursement by the Trusts of expenses paid by the Group on behalf of the respective Trusts; and
- The payment of realised surpluses generated by the Trust funds as and when the trustees sanction such payments.

Related party transactions are summarised below:

	Transactions during the period		Amounts due to the Group at the period end	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Dignity Limited Trust Fund	**0.3**	0.3	**–**	–
National Funeral Trust	**31.1**	28.9	**1.5**	1.4
Trust for Age UK Funeral Plans	**34.0**	31.6	**1.5**	1.6
Peace of Mind Trusts	**1.2**	n/a	**0.1**	n/a

A further £3.6 million (2012: £3.1 million) is due from the Trusts after more than one year.

32 Post balance sheet events

The Group has acquired three funeral locations since the balance sheet date for a total consideration of £2.1 million.

Independent auditors' report to the members of Dignity plc

for the 52 week period ended 27 December 2013

Report on the parent company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 27 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the 'financial statements'), which are prepared by Dignity plc, comprise:

- the parent company balance sheet as at 27 December 2013; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report & Accounts 2013 (the 'Annual Report') to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 68, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

We have reported separately on the group financial statements of Dignity plc for the 52 week period ended 27 December 2013.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

5 March 2014

Dignity plc Company balance sheet

as at 27 December 2013

	Note	27 December 2013 £m	28 December 2012 £m
Fixed assets			
Investments	C2	**139.0**	137.5
Current assets			
Debtors	C3	**156.6**	131.0
Cash at bank and in hand		**16.7**	18.9
Total current assets		**173.3**	149.9
Creditors: amounts falling due within one year	C4	**(13.6)**	(13.2)
Net current assets		**159.7**	136.7
Total assets less current liabilities		**298.7**	274.2
Net assets		**298.7**	274.2
Capital and reserves			
Called up share capital	C5	**6.0**	5.7
Share premium account	C5	**20.8**	17.4
Capital redemption reserve	C5	**121.6**	99.3
Other reserves	C5	**3.2**	3.4
Profit and loss account	C5	**147.1**	148.4
Total shareholders' funds	C6	**298.7**	274.2

The financial statements on pages 114 to 118 were approved by the Board of Directors on 5 March 2014 and were signed on its behalf by:

M K McCollum
Chief Executive

S L Whittern
Finance Director

Notes to the Dignity plc financial statements

for the 52 week period ended 27 December 2013

C1 Principal accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). A summary of the principal accounting policies, which have been consistently applied, is set out below.

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of the Company has not been separately presented in the financial statements.

In the current period, the Company's financial statements have been prepared for the 52 week period ended 27 December 2013. For the comparative period, the Company's financial statements have been prepared for the 52 week period ended 28 December 2012.

Furthermore, the Company has taken advantage of the exemption provided within FRS 29, Financial Instruments and Disclosures, not to disclose details of any financial instruments held.

Fixed asset investments

Fixed asset investments are stated at historical cost, less any provision for impairment.

Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment in periods where events or changes in circumstances indicate that the carrying value may not be recoverable or at the end of the first full financial year following the recognition. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account within operating profit. A reversal of an impairment loss is recognised in the profit and loss account to the extent that the original loss was recognised.

Employee share schemes

The Company operates two employee share schemes: The Save As You Earn Scheme ('SAYE') and Long-Term Incentive Plan Scheme ('LTIP').

The Company applies UITF 44 in respect of share option schemes resulting in the charge for such schemes being recognised in a subsidiary of the Company. The Company's financial statements reflect the cost of the scheme as an increase in the cost of investment in the subsidiary.

Employee share trust

The assets of the employee share trust are held by a separate limited company, of which the Directors consider that Dignity plc has de facto control. In accordance with UITF 38, Accounting for ESOP Trusts and the substance of the transaction, the trust's assets and liabilities are recognised in the Company's balance sheet within share capital and reserves.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements when paid.

Notes to the Dignity plc financial statements continued

for the 52 week period ended 27 December 2013

C2 Investments in subsidiary undertakings

Cost and net book amount	£m
At beginning of period	137.5
Additions in respect of share-based payments	1.5
At end of period	**139.0**

Principal subsidiaries

Company name	Principal activity	Number of shares at 27 December 2013	Percentage held
Dignity Funerals Limited	Funeral services	577,376,905 Ordinary at 0.1p each	100%
Dignity Funerals No. 2 Limited	Funeral services (ceased trading during the period)	1 Ordinary at £1 each	100%
Pitcher & Le Quesne Limited	Funeral services	100 Ordinary at £1 each	99%
Dignity Pre-arrangement Limited	Pre-arranged funeral plans	5,001,001 Ordinary at £1 each	100%
Dignity Securities Limited	Pre-arranged funeral plans	19,801 Ordinary at £1 each	100%
		750,000 8 pence Redeemable Preference Shares at £1 each	100%
Advance Planning Limited	Pre-arranged funeral plans	7,500 A Ordinary at £1 each	100%
		2,500 B Ordinary at £1 each	100%
		3,863,291 0.0000001 pence Redeemable Preference Shares at 1p each	100%
Dignity Finance PLC	Finance company	50,000 Ordinary at £1 each	100%
Dignity (2002) Limited	Intermediate holding company	110,000,002 Ordinary at 0.01p each	100%
Dignity Crematoria Limited	Construction and leasing of crematoria	10,000 A Ordinary at £1 each	100%
		10,000 B Ordinary at £1 each	100%
		10,000 C Ordinary at £1 each	100%
		10,000 D Ordinary at £1 each	100%
		10,000 E Ordinary at £1 each	100%

All of the subsidiaries are incorporated in the United Kingdom except for Pitcher & Le Quesne Limited which is incorporated in Jersey and is effectively 100 per cent controlled. All of the above shareholdings are held indirectly, with the exception of Dignity (2004) Limited.

Additions in the period reflect the effect of capital contributions to subsidiaries as a result of share-based payment schemes operated in those company's over the shares of Dignity plc.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length, as the Company has in excess of 250 dormant subsidiaries and a number of intermediate holding companies.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

C3 Debtors

	27 December 2013 £m	28 December 2012 £m
Amounts falling due within one year:		
Amounts owed by group undertakings	**156.6**	130.9
Other debtors	**–**	0.1
	156.6	131.0

C4 Creditors: amounts falling due within one year

	27 December 2013 £m	28 December 2012 £m
Amounts owed to subsidiary undertakings	**12.4**	12.4
Accruals and deferred income	**0.4**	0.2
Corporation Tax	**0.8**	0.6
	13.6	13.2

C5 Called up share capital and reserves

	27 December 2013 £m	28 December 2012 £m
Allotted and fully paid Equity shares		
53,343,871 (2012: 54,757,481) Ordinary Shares of 11 4/13 pence (2012: £0.105) each	**6.0**	5.7

Each Ordinary Share carries equal voting rights and there are no restrictions on any share.

During the period the Group received £nil consideration in relation to the 253,844 shares issued under the 2010 LTIP scheme, £1.0 million consideration in relation to the 141,981 shares issued under the 2010 SAYE scheme and £24.2 million consideration relating to the 2,283,019 issued as an equity placing to help fund the acquisition of Yew.

Changes in issued share capital

On 12 August 2013, the Ordinary Share Capital of the Company was consolidated such that shareholders received 13 Ordinary Shares of 11 4/13 pence each in exchange for every 14 Ordinary Shares of £0.105 each held at close of business on 9 August 2013.

As a result of the Return of Cash undertaken in the year, bonus shares of 20,613,992 B Shares with a nominal value of £1.08 per share and 36,680,352 C Shares were issued. The B Shares were issued on 12 August 2013 and redeemed for cash on 20 August 2013. The C Shares were issued on 12 August 2013 and converted to Deferred Shares on the same day.

Reserves and share premium account	Share premium account £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At beginning of period	17.4	99.3	3.4	148.4	268.5
Profit for the period	–	–	–	66.8	**66.8**
Proceeds from share issue	24.0	–	–	–	**24.0**
Issue costs in respect of shares issued	(0.9)	–	–	–	**(0.9)**
Effects of employee share options	–	–	1.5	–	**1.5**
Shares issued under the 2010 LTIP scheme	1.7	–	–	–	**1.7**
Gift to Employee Benefit Trust	–	–	(1.7)	–	**(1.7)**
Issue of shares under SAYE scheme	0.9	–	–	–	**0.9**
Issue of B Shares in respect of Capital Option	(22.3)	–	–	–	**(22.3)**
Redemption of B Shares in respect of Capital Option	–	22.3	–	(22.3)	**–**
Dividend in respect of Special Dividend Option	–	–	–	(39.6)	**(39.6)**
Dividends paid on Ordinary Shares	–	–	–	(6.2)	**(6.2)**
At end of period	**20.8**	**121.6**	**3.2**	**147.1**	**292.7**

The capital redemption reserve represents £80,002,465 B Shares that were issued on 2 August 2006 and redeemed for cash on the same day, £19,274,610 B Shares that were issued on 10 October 2010 and redeemed for cash on 11 October 2010 and £22,263,112 B Shares that were issued on 12 August 2013 and redeemed for cash on 20 August 2013.

£7.6 million (2012: £6.1 million) in other reserves relates to investments in own shares and therefore reduces profit available for distribution.

Notes to the Dignity plc financial statements continued
for the 52 week period ended 27 December 2013

C6 Reconciliation of movements in shareholders' funds

	27 December 2013 £m	28 December 2012 £m
Profit for the period	**66.8**	9.5
Effects of employee share options	**1.5**	1.2
Issue costs in respect of shares issued	**(0.9)**	–
Shares issued under the 2010 LTIP scheme	**1.7**	–
Gift to Employee Benefit Trust	**(1.7)**	–
Proceeds from share issue	**24.2**	–
Issue of shares under SAYE scheme	**1.0**	–
Issue of B Shares in respect of Capital Option	**(22.3)**	–
Dividend in respect of Special Dividend Option	**(39.6)**	–
Dividends paid on Ordinary Shares	**(6.2)**	(8.3)
Net additions to shareholders' funds	**24.5**	2.4
Opening shareholders' funds	**274.2**	271.8
Closing shareholders' funds	**298.7**	274.2

Amounts payable to the Group's auditors relating to the Company are included in note 5 of the Group financial statements and are not material to disclose separately.

C7 Staff costs

Directors' remuneration
The Directors are directors of the ultimate parent company, Dignity plc and details of their emoluments are included in pages 61 to 67. They received no emoluments in respect of their services to the Company (2012: £nil).

C8 Related party transactions

There are no related party transactions for either period.

Financial record*

Summarised consolidated income statement

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Revenue					
Funeral services	**176.2**	157.9	146.5	143.3	138.5
Crematoria	**53.8**	46.6	41.6	37.5	34.4
Pre-arranged funeral plans	**26.7**	25.1	22.0	18.3	11.8
	256.7	229.6	210.1	199.1	184.7
Underlying operating profit					
Funeral services	**60.8**	54.2	50.8	49.3	47.3
Crematoria	**27.4**	23.3	21.3	19.9	17.6
Pre-arranged funeral plans	**6.7**	6.5	5.5	4.3	3.5
Central overheads	**(16.5)**	(14.6)	(13.1)	(12.5)	(12.0)
	78.4	69.4	64.5	61.0	56.4
Finance costs	**(28.9)**	(25.8)	(25.9)	(22.5)	(21.6)
Finance income	**3.4**	2.5	3.0	1.9	1.6
Underlying profit before tax	**52.9**	46.1	41.6	40.4	36.4
Taxation	**(12.9)**	(11.7)	(11.4)	(11.7)	(10.6)
Underlying profit after tax	**40.0**	34.4	30.2	28.7	25.8
Underlying earnings per share (pence)	**72.1p**	62.8p	55.1p	46.4p	40.5p
Operating profit	**75.1**	68.7	63.2	60.4	57.5
Profit after tax	**40.4**	35.7	34.3	29.0	26.6
Basic earnings per share (pence)	**72.8p**	65.1p	62.6p	46.9p	41.8p

Key performance indicators

	2013	2012	2011	2010	2009
Total estimated number of deaths in Britain (number)	**560,000**	551,000	539,000	557,000	545,000
Number of funerals performed (number)	**68,000**	63,200	62,300	64,500	65,000
Funeral market share** (per cent)	**11.9%**	11.2%	11.3%	11.4%	11.8%
Number of cremations performed (number)	**55,500**	50,500	47,600	45,200	42,700
Crematoria market share (per cent)	**9.9%**	9.2%	8.8%	8.1%	7.8%
Unfulfilled pre-arranged funeral plans (number)	**323,000**	290,000	265,000	238,000	216,000
Cash generated from operations (£million)	**94.2**	83.3	74.2	74.5	65.3

Net debt

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Net amounts owing on Class A and B Secured Notes per financial statements	**(310.0)**	(318.9)	(323.3)	(331.3)	(258.6)
Net amounts owing on Class A and B Secured Notes per financial statements – issued 2013	**(93.0)**	–	–	–	–
Add: unamortised issue costs	**(13.0)**	(14.6)	(16.2)	(17.8)	(14.6)
Add: unamortised issue costs – issued 2013	**(3.3)**	–	–	–	–
Gross amounts owing on Class A and B Secured Notes per financial statements	**(419.3)**	(333.5)	(339.5)	(349.1)	(273.2)
Net amounts owing on Crematoria Acquisition Facility per financial statements	**(15.6)**	(10.0)	(9.9)	(9.9)	(9.8)
Add: unamortised issue costs on Crematoria Acquisition Facility	**(0.2)**	–	(0.1)	(0.1)	(0.2)
Gross amounts owing	**(435.1)**	(343.5)	(349.5)	(359.1)	(283.2)
Accrued interest on Class A and B Secured Notes	**(11.6)**	(11.6)	–	–	(9.6)
Accrued interest on Class A and B Secured Notes – issued 2013	**(2.7)**	–	–	–	–
Accrued interest on Crematoria Acquisition Facility	**–**	(0.1)	(0.1)	(0.1)	(0.1)
Cash and cash equivalents	**79.3**	55.6	36.9	48.1	45.8
Net debt	**(370.1)**	(299.6)	(312.7)	(311.1)	(247.1)

Financial record* continued

Summarised consolidated balance sheet

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Non-current assets					
Goodwill and intangible assets	**250.4**	204.5	194.3	182.4	175.6
Property, plant and equipment	**183.6**	157.1	147.6	133.6	116.8
Financial and other assets	**12.7**	12.6	12.6	12.0	9.4
Retirement benefit asset	**–**	0.1	1.3	8.5	9.1
	446.7	374.3	355.8	336.5	310.9
Current assets					
Cash and cash equivalents – excluding collateralisation of Liquidity Facility	**79.3**	55.6	36.9	48.1	45.8
Cash and cash equivalents – collateralisation of Liquidity Facility	**63.0**	–	–	–	–
Cash and cash equivalents	**142.3**	55.6	36.9	48.1	45.8
Other current assets	**34.4**	32.1	30.5	29.2	25.6
	176.7	87.7	67.4	77.3	71.4
Total assets	**623.4**	462.0	423.2	413.8	382.3
Current liabilities	**143.6**	76.9	45.6	47.0	48.6
Non-current liabilities	**437.6**	340.5	360.4	371.6	298.2
Total liabilities	**581.2**	417.4	406.0	418.6	346.8
Equity attributable to shareholders	**42.2**	44.6	17.2	(4.8)	35.5
Total equity and liabilities	**623.4**	462.0	423.2	413.8	382.3

NOTES

* This information has been extracted from the current and previous Annual Reports and accordingly does not constitute audited information.

** Market share excluding funerals performed in Northern Ireland.

Notice of Meeting

Notice is hereby given that the 2014 Annual General Meeting of Dignity plc ('the Company') will be held at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL on Thursday 5 June 2014 at 11.00am for the following purposes:

Ordinary Resolutions
To propose the following as ordinary resolutions:

1. To receive and consider the Group's financial statements, the strategic report, and the reports of the Directors and auditors thereon for the 52 week period ended 27 December 2013.

2. To approve the Report on Directors' remuneration (other than the part that contains the Directors' remuneration policy) for the 52 week period ended 27 December 2013 as set out on pages 54 to 67 of the Annual Report 2013.

3. To approve the Director's remuneration policy contained in the Report on Directors' remuneration.

   The Chairman confirms that, following a formal evaluation, the Directors nominated for re-appointment in resolutions 4 to 12 (inclusive) below continue to be effective and demonstrate a commitment to the role. Full biographical details are on pages 44 and 45.

4. To re-appoint Peter Hindley, as a Director of the Company.
5. To re-appoint Mike McCollum, as a Director of the Company.
6. To re-appoint Andrew Davies, as a Director of the Company.
7. To re-appoint Richard Portman, as a Director of the Company.
8. To re-appoint Steve Whittern, as a Director of the Company.
9. To re-appoint Ishbel Macpherson, as a Director of the Company.
10. To re-appoint Alan McWalter, as a Director of the Company.
11. To re-appoint Jane Ashcroft, as a Director of the Company.
12. To re-appoint Martin Pexton, as a Director of the Company.

13. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company.

14. To authorise the Directors to fix the remuneration of the auditors.

15. To approve the proposed dividend of 11.83 pence per Ordinary Share and to authorise its payment on 27 June 2014 to shareholders on the register of members at the close of business on 23 May 2014.

16. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ('the Act'), to exercise all powers of the Company to allot Relevant Securities:

    a) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £4,043,225 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (b) of this resolution) in connection with a rights issue:

       (i) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

       (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

       but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £2,021,612 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph (a) of this resolution in excess of £2,021,612),

    provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 5 September 2015 (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

Notice of Meeting continued

In this resolution, ('Relevant Securities') means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Special Resolutions
To propose the following as special resolutions:

17. That, subject to the passing of resolution 16 and pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities granted by resolution 16 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

    a) the allotment of equity securities in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise, but, in the case of an allotment pursuant to the authority granted by paragraph (a) of resolution 16, such power shall be limited to the allotment of equity securities in connection with a rights issue):

        (i) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary Shares held by them; and

        (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b) the allotment of equity securities pursuant to the authority granted by paragraph (b) of resolution 16 (otherwise than pursuant to paragraph (a) of this resolution) up to an aggregate nominal amount of £303,242,

    and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 5 September 2015 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

    This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

18. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Act to make market purchases (as defined in Section 693(4) of the Act) of Ordinary Shares, subject as follows:

    a) the maximum aggregate number of Ordinary Shares which may be purchased is 5,363,461;

    b) the minimum price (including expenses) to be paid for each Ordinary Share shall be the nominal value of the Ordinary Share;

    c) the maximum price to be paid for an Ordinary Share is the higher of:

        (i) an amount equal to 105 per cent of the average of the middle market quotations for the Company's Ordinary Shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately prior to the day on which the purchase is made; and

        (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the trading venue where the purchase is carried out.

    Unless previously revoked, varied or renewed the authority conferred by this resolution shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 5 September 2015 (whichever is earlier), except in relation to the purchase of shares the contract for which was entered into before the expiry of such authority and such purchase will or may be executed or completed wholly or partly after such expiry and accordingly the Company may make a purchase of Ordinary Shares pursuant to any such contract as if this authority had not expired.

19. That a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice.

Registered office:
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands B73 6AP

By order of the Board

Richard Portman
Company Secretary
5 March 2014

Notes:

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 3 June 2014 (or, if the meeting is adjourned 6.00pm on the date which is two days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

2. A member of the Company entitled to attend and to vote may appoint, one or more proxies to attend and vote instead. A proxy need not be a member of the Company. A proxy form is enclosed. Completed proxy forms must be received by the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, no later than 11.00am on 3 June 2014 or in the event the meeting is adjourned, no later than 48 hours (excluding any part of the day that is not a working day) before the time of any adjourned meeting. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's Registrar on 0871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under Section 324 of the Companies Act 2006 ('the Act') to appoint a proxy does not apply to a person nominated to enjoy information rights under Section 146 of the Act.

   *At the time of publication, calls to this number were charged at 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

3. The appointment of a proxy will not preclude a member of the Company from attending, speaking and voting in person at the meeting if he or she so wishes.

4. The following are available for inspection at the Company's registered office during normal business hours from the date of this notice until the time of the meeting. They will be available for at least 15 minutes prior to, and during, the Annual General Meeting:

   - the register of Directors' interests and those of their immediate families in the share capital of the Company;
   - copies of the Directors' service contracts and letters of appointment; and
   - a copy of the Company's memorandum and articles of association.

5. Biographical details of those Directors who are offering themselves for re-election at the meeting are set out on pages 44 and 45 of the Annual Report 2013.

6. Total Voting Rights: As at 10 April 2014 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 53,634,612 Ordinary Shares of 11 4/13 pence, (carrying one vote each). The Company does not hold any Ordinary Shares in Treasury.

7. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Act. The Company must answer any such question unless:

   (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

8. The information required by Section 311A of the Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.dignityfunerals.co.uk/corporate.

9. Members can appoint proxies electronically by logging on to the website www.sharevote.co.uk. You will need your voting reference numbers (the voting ID, Task ID and shareholder reference number shown on your form of proxy). Alternatively, if you have registered for a Shareview portfolio, please access the Equiniti shareview website at www.shareview.co.uk, by entering your portfolio identification particulars and click on the link 'vote' under your Dignity plc holding details. For an electronic proxy appointment to be valid, the appointment must be received by no later than 11.00am on 3 June 2014 (or if the meeting is adjourned no later than 48 hours (excluding any part of the day that is not a working day) before the time of the adjourned meeting).

10. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available at www.euroclear.com). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

Notice of Meeting continued

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 19) by no later than 11.00am on 3 June 2014 (or if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). No such message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

11. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Act ('Nominee'):

(a) the Nominee may have a right under an agreement between the Nominee and the member by whom he was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

(b) if the Nominee does not have any such right or does not wish to exercise such right, the Nominee may have a right under any such agreement to give instructions to the member as to the exercise of voting rights.

The statement of the rights of the shareholders in relation to the appointment of proxies in notes 2, 3, 9 and 10 does not apply to a Nominee. The rights in such notes can only be exercised by shareholders of the Company.

12. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

13. A shareholder or shareholders meeting the qualification criteria set out in note 16 below may require the Company to give shareholders notice of a resolution which may properly be proposed and is intended to be proposed at the meeting in accordance with Section 338 of the Act.

A resolution may properly be proposed unless (i) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious.

The business which may be dealt with at the meeting includes a resolution circulated pursuant to this right.

Any such request must:

(a) identify the resolution of which notice is to be given, by either setting out the resolution in full or, if supporting a resolution requested by another shareholder, clearly identifying the resolution which is being supported;

(b) comply with the requirements set out in note 17 below; and

(c) be received by the Company no later than six weeks before the meeting.

14. A shareholder or shareholders meeting the qualification criteria set out in note 16 below may require the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business in accordance with Section 338A of the 2006 Act.

A matter may properly be included unless (i) it is defamatory of any person, or (ii) it is frivolous or vexatious.

Any such request must:

(a) identify the matter to be included in the business, by either setting out the matter in full or, if supporting a matter requested by another shareholder, clearly identifying the matter which is being supported;

(b) set out the grounds for the request;

(c) comply with the requirements set out in note 17 below; and

(d) be received by the Company no later than six weeks before the meeting.

15. A shareholder or shareholders who meet the qualification criteria set out in note 16 below may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last annual general meeting of the Company in accordance with Section 527 of the Act.

    Any such request must:

    (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;

    (b) comply with the requirements set out in note 17 below; and

    (c) be received by the Company at least one week before the meeting.

    Where the Company is required to publish such a statement on its website:

    (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request;

    (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and

    (iii) the statement may be dealt with as part of the business of the meeting.

16. In order to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 13, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 14, or (iii) to publish audit concerns as set out in note 15, the relevant request must be made by:

    (a) a shareholder or shareholders having a right to vote at the meeting and holding at least five per cent of the total voting rights of the Company; or

    (b) at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

    For information on voting rights, including the total voting rights of the Company, see note 6 above and the website referred to in note 8 above.

17. Any request by a shareholder or shareholders to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in note 13, (ii) to include a matter in the business to be dealt with at the meeting as set out in note 14, or (iii) to publish audit concerns as set out in note 15:

    (a) may be made either:

    (i) in hard copy, by sending it to Dignity plc, 4 King Edwards Court, King Edwards Square, Sutton Coldfield, B73 6AP; or

    (ii) in electronic form, by faxing it to +44 (0) 121 321 5644, marked for the attention of the Company Secretary or by e-mail to CompanySecretary@dignityuk.co.uk (please state "Dignity plc: AGM" in the subject line of the e-mail);

    (b) must state the full name(s) and address(es) of the shareholder(s); and

    (c) (where the request is made in hard copy form) must be signed by the shareholder(s).

18. Except as provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means:

    (a) calling our shareholder helpline on +44 (0) 871 384 2674; or

    (b) by post, by sending it to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

19. You may not use any electronic address provided in either this Notice of General Meeting or any related documents (including the proxy form) to communicate with the Company for any purpose other than those expressly stated.

20. No other methods of communication will be accepted. Any electronic communication sent by a shareholder to the Company or Equiniti which is found to contain a virus will not be accepted by the Company.

Shareholder information

General enquiries may be addressed to the Company Secretary, Richard Portman, at the Company's registered office. Other useful information is as follows:

General information
The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

Company Registrars
Enquiries concerning shareholdings, change of address or other particulars, should be directed in the first instance to the Company's Registrars, Equiniti. They also provide a range of online shareholder information services at www.shareview.co.uk where shareholders can check their holdings and find practical help on transferring shares and updating personal details. Alternatively they can be contacted by telephone on 0871 384 2674* if calling from within the UK, or +44 (0) 121 415 7047 if calling from outside the UK, or by fax on 0871 384 2100* if faxing from within the UK, or +44 (0) 190 383 3113 if faxing from outside the UK.

*At the time of publication, calls to these numbers cost eight pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

Shareholder communications
Shareholder documents are only sent in paper format to shareholders who have elected to receive documents in this way. This approach enables the Company to reduce printing and distribution costs and its impact on the environment. Shareholders who have not elected to receive paper copies are sent a notification whenever shareholder documents are published to advise them how to access the documents via the Group website at www.dignityfuneralsplc.co.uk. Shareholders may also choose to receive this notification via e-mail with a link to the relevant page on the website.

Shareholders who wish to receive e-mail notification should register online at www.shareview.co.uk click on 'Register' under the 'Portfolio' section. You will require your Shareholder Reference Number, which is given on your share certificate or dividend tax voucher. Choosing e-mail notification will result in you joining the Equiniti Shareview Service in accordance with its terms and conditions.

Share price information
The latest Dignity plc share price can be obtained via the Company's investor website www.dignityfuneralsplc.co.uk.

Unsolicited mail
The Company is obliged by law to make its share register available upon request to the public and to other organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should register to do so with the Mailing Preference Service at www.mpsonline.org.uk.

Annual General Meeting
The Company's Annual General Meeting will be held on 5 June 2014, at 11.00am at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham, West Midlands, B2 4DL.

Contact details and advisers

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Company Secretary:
Richard Portman FCA

Registered Number:
4569346

Registrars:
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One New Change
London EC4M 9AF

Investec
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London EC2V 7QP

Principal Bankers:
Royal Bank of Scotland plc
West Midlands Corporate Office
2 St Philips Place
Birmingham B3 2RB

Legal Adviser:
DLA Piper UK LLP
Victoria Square House
Victoria Square
Birmingham B2 4DL

Financial calendar

5 March 2014	Preliminary announcement of 2013 results
5 June 2014	Annual General Meeting
27 June 2014	2014 financial half year end
27 June 2014 (subject to shareholder approval)	Payment of 2013 final dividend
30 July 2014 (provisional)	Announcement of interim results
31 October 2014 (provisional)	Payment of 2014 interim dividend
26 December 2014	Financial period end

Acknowledgements
Dignity would like to thank all those who participated in producing this Annual Report, particularly the members of staff for their contributions.

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Dignity plc

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For more information on Dignity,
please visit our investor relations website:

www.dignityfuneralsplc.co.uk

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